

THE GLOBAL NEWSPAPER  
Printed Simultaneously in  
Paris, London, Zurich,  
Hong Kong, Singapore  
Weather Data Appear on Page 22

# Herald Tribune

Published With The New York Times and The Washington Post

No. 31,293

PARIS, FRIDAY, SEPTEMBER 30, 1983

ESTABLISHED 1887

## Soviet Stance Raises Concern Some U.S. Aides Fear Kremlin Has Given Up on Reagan

By Leslie H. Gelb  
New York Times Service  
NEW YORK — The attack on the United States made Wednesday by Yuri V. Andropov has raised the question of whether Moscow has given up trying to work with the Reagan administration because of what the Kremlin sees as intense hostility.

"Even if someone had any illusions as to the possible evolution for the better in the policy of the present American administration," the Soviet leader said, "the latest developments have finally dispelled them."

Several U.S. State Department officials have been expressing concern that the United States may have pressed its own attacks against the Soviet Union too far.

Two officials, in particular, quoted Secretary of State George P. Shultz as having said that the polemical bludgeoning of the Kremlin after the shooting down of a South Korean airliner Sept. 1 may have brought unintended consequences.

### NEWS ANALYSIS

What was deemed important was that the statement was made by Mr. Andropov personally, not by other officials or a Pravda editorial writer.

But there are other possible interpretations, serious but less ominous, of Mr. Andropov's words.

His statement showed a Soviet leadership stung deeply by the treatment the United States had given it ever since President Ronald Reagan took office — attacks that wounded the Soviet desire for equal status, the right to be seen and treated as the other superpower.



Thatcher and Reagan Affirm Arms Stand  
President Ronald Reagan and Prime Minister Margaret Thatcher of Britain met Thursday at the White House and reaffirmed their determination to bolster Western defense while pressing for a U.S.-Soviet arms accord. "Our nerve is being tested," Mrs. Thatcher said. "We must not falter now."

## France, U.S. Play Down Bush's Missile Remark

Compiled by Our Staff From Dispatches  
PARIS — The French government played down Thursday the importance of a suggestion by Vice President George Bush that French and British nuclear missiles might eventually have to be discussed in arms control talks. And the United States insisted that there had been no change in its policy.

The French government spokesman, Max Gallo, repeated France's insistence that its nuclear force could not be counted in negotiations at Geneva on reducing medium-range missiles. He said of Mr. Bush's remarks: "There may be views expressed here and there and then denied, but it is above all the Soviet Union that is making this demand that French forces be taken into account."



George Bush

At a press lunch in Washington on Wednesday, Mr. Bush said the question of British and French forces might ultimately have to be raised and that a better answer to the problem had to be found if major arms reductions were to be achieved.

But he added: "We cannot dictate to the British or French. ... Nor do we intend to negotiate their missile forces away" in the talks on intermediate-range nuclear forces.

His remarks received wide coverage in the French press, and the newspaper Le Monde said that "for the first time a highly authoritative voice in Washington has admitted that the French and British forces pose a problem."

Le Monde added that Mr. Bush's suggestion risked causing embarrassment both for him and for U.S. relations with its main allies. And the leftist daily Liberation said that Mr. Bush's remarks "will be felt like a stab in the back by the European NATO allies."

France, Britain and the United States have repeatedly rejected a Soviet demand that the 162 French and British nuclear missiles be included in the tally of European missiles whose reduction is being discussed at Geneva.

Mr. Bush made it clear Wednesday that he was not thinking of any change in the position. And on Thursday, the chief White House spokesman, Larry M. Speakes, played down the significance of the vice president's comments and said that they did not represent a change in U.S. policy.

In an official clarification of Mr. Bush's remarks provided by the U.S. Embassy in Paris, Washington said it had noted British and French statements that they might be willing to reconsider their positions on including their own arsenals at some future date if Soviet and U.S. forces were significantly cut.

"The vice president was simply reflecting our support for the positions taken by the British and

## Manila Authorities Raid Anti-Marcos Newspaper

By Colin Campbell  
New York Times Service  
MANILA — Government security men raided and padlocked Thursday night the office of a Manila newspaper that has suggested in recent issues that the military was involved in the assassination last month of President Ferdinand E. Marcos's chief opponent, Benigno S. Aquino Jr.

The officers seized newspapers, film, typewriters and documents of The Philippine Times, a weekly tabloid with a circulation reported lately to have jumped into the hundreds of thousands.

The army officer who led the raid, Lieutenant Colonel Berlin A. Castillo, carried a search warrant issued Thursday by a civilian judge in Quezon City, near Manila. The warrant said there were reasons to believe the newspaper's editor had committed "the crime of inciting to sedition."

As the raid was in progress, other government officers were reported to be looking for the newspaper's editor and publisher, Rommel R. Corro.

Jose W. Diokno, a former sena-

## Moscow Sets Huge Anti-War Rallies

By Michael Dobbs  
Washington Post Service  
MOSCOW — The Soviet Union is planning to stage huge anti-war demonstrations in Moscow on Saturday in what appears to be the start of a new propaganda campaign to blame the United States for heightened international tensions.

The demonstrations were announced by the Soviet news agency Tass after it released a statement by the Soviet leader, Yuri V. Andropov, lambasting the Reagan administration for its foreign policies.

The government newspaper Izvestia said that the Reagan administration had "sacrificed" the 269 passengers on board the South Korean jumbo jet in an anti-communist crusade. A Soviet jet fighter shot down the plane Sept. 1.

The Soviet media, meanwhile,

stepped up its attacks on the United States over Lebanon, arms control and the downing of the South Korean airliner.

Television news carried interviews with workers and intellectuals. The leaders of such Soviet-dominated countries as Afghanistan and Mongolia have been called upon to give statements supporting specific themes in Mr. Andropov's speech.

The government newspaper Izvestia said that the Reagan administration had "sacrificed" the 269 passengers on board the South Korean jumbo jet in an anti-communist crusade. A Soviet jet fighter shot down the plane Sept. 1.

Izvestia said that Washington

was seeking to torpedo arms coo-

rol negotiations in Europe and

find new pretexts for armed interven-

tion in the Middle East and

Central America.

Western diplomats in Moscow

said that the demonstrations were

an unusual way of mobilizing public

opinion behind the leadership on a sensitive issue of foreign policy.

Peace rallies have taken place

in Moscow and other Soviet cities

in the past, but not nearly on the scale

of Saturday's planned demonstrations.

In an attempt to guarantee wide

publicity for the demonstrations in

the West, photographs of the event

have already been offered to foreign

television companies.

## Saudi Endorses Syrian Rejection Of UN Observers

WASHINGTON — Prince Bandar bin Sultan of Saudi Arabia conferred with President Ronald Reagan on Thursday and endorsed Syria's opposition to giving the United Nations any role in policing the cease-fire in Lebanon.

The prince, who has been praised by Mr. Reagan as playing a major role in arranging the cease-fire, also warned: "The danger we now are facing is that if this does not work, Lebanon will be partitioned, and the Syrians, like us, don't support in any way the partitioning of Lebanon. I think that's the biggest eye-opener."

The United States, along with its European partners in the United Nations help supervise the cease-

fire.

Syria has resisted the suggestion,

and some UN officials have been

quoted privately as saying Syria

wants observers who could be con-

trolled from Damascus and would

not report violations to UN head-

quarters.

Speaking with reporters in the

White House driveway, Prince

Bandar, who is also the new Saudi

ambassador to Washington, said

Syria's objection to UN participa-

tion was valid. "If you read the

agreement, there was no mention of

UN observers," he said. "The

agreement says 'neutral observers,'

and I think we will overcome that

problem soon. You will find out

very soon."

Prince Bandar said UN observers

were best used in disputes be-

tween two nations. He said there

was concern that giving the United

Nations a role in policing the cease-

fire would lead to "a Cypriot di-

vision" — referring to the presence

of UN forces on Cyprus to keep peace

between Turks and Greeks.

The Saudi prince said the Leba-

non cease-fire was fragile, and he

added: "We are doing our best in

many different ways to stabilize

this cease-fire. But I think that, in

our judgment, an early and prompt

Israeli beginning of their withdrawal

will cool things down even

more."

He also rejected U.S. accusations

of Soviet influence on the Syrians.

"I didn't notice that," he said.

[Prince Bandar later voiced con-

fidence in President Amin Go-

mard of Lebanon and said he be-

lieved he had good intentions,

Reuters reported.]

■ Syrian Intentions Doubtful

Bernard Gwertzman of The New

York Times reported earlier from the

United Nations:

Western diplomats and UN offi-

cials said the strong opposition by

President Hafez al-Assad of Syria

(Continued on Page 4, Col. 2)

(Continued on Page 4, Col. 1)

## Pakistani Troops Kill 17 Protesting Local Elections

By Tom Heneghan  
Reuters  
ISLAMABAD, Pakistan — Troops killed 17 persons and injured 48 on Thursday when a crowd protesting local council elections in Sind province attacked them, police said.

They said the crowd in Chando, a village in central Sind, charged at soldiers trying to clear a roadblock of burning trucks that demonstrators had set up.

Opposition sources said 37 persons had been killed and about 150 injured in the clash.

Police said the troops were reinforcements for an earlier army patrol that was ambushed when it tried to clear the roadblock at Chando on Thursday morning. They said one soldier had been killed and another wounded in the ambush.

Demonstrators set up roadblocks across central Sind and attacked trains and buses during an opposition call for a general strike to protest the elections.

Several hundred protesters stormed a polling station near Tando Mohammed Khan in southern Sind, beating up election officers, stealing the ballot box and chasing away voters, opposition sources said.

The sources said towns and villages throughout Sind, some of violent protests against President Mohammed Zia ul-Haq's martial-law government, observed the call for a general strike in protest against the elections.

Under pressure from the opposition, provincial authorities put off voting in the six most turbulent Sindhi districts until Sunday.

This will allow them to regroup police after the voting in cities such as Karachi, Hyderabad and Sukkur, where ethnic Sindhis are outnumbered by Urdu-speaking immigrants from India, opposition sources said.

The opposition said more than 100 had died in clashes between the police and protesters so far, while officials said the death toll was more than 40.

Opposition sources said police had arrested about 900 in the past two days in a roundup of opposition supporters who they believed would try to disrupt the voting.

They also were hunting for at least three election officers kidnapped at gunpoint Wednesday night in Mirpur Mathelo, northern Sind.

The opposition's strike call appeared to be much more successful in Sind than it was in elections Wednesday in Punjab province.

Witnesses estimated the turnout at 10 percent to 15 percent in parts of Karachi, while Wednesday's estimates in Punjab ranged from a low of about 30 percent in the provincial capital of Lahore to 70 percent in villages.

Government media have hailed the elections as a popular success and the first step toward civilian government, which General Zia has promised by March 1985. He has portrayed the elections as a model of the grass-roots democracy.

### INSIDE

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## U.S. Democrats Say Poll Points to Victory in 1984

By Phil Gailay  
New York Times Service  
WASHINGTON — The results of a new public opinion poll commissioned by the House Democratic leadership suggests that the emerging issues in next year's national election favor Democrats and that President Ronald Reagan could be more vulnerable in a re-election bid than some party leaders had thought.

The findings of the survey, which was conducted jointly by Peter D. Hart Associates and Lynch Research Inc., will be used by House Democrats to shape their legislative agenda to the politics of 1984, according to Representative Tony Coelho of California, chairman of the Democratic Congressional Campaign Committee.

Mr. Hart, who is the pollster for the presidential campaign of Walter F. Mondale, said that the national survey of 1,032 registered voters found that only 28 percent would vote to re-elect Mr. Reagan, while 27 percent would consider some other candidate and 32 percent would vote to replace him. Generally, he added, an incumbent president needs about a 40-percent standing in the polls to be considered a likely candidate for re-election.

So eager were Democrats to get the good news out that Representative Coelho invited reporters to a briefing a day before the House Democratic leadership.

He provided beer and wine while they listened to Mr. Hart's analysis. (Continued on Page 2, Col. 6)



# U.S.-Chinese Military Exchanges Are Set

By Fred Hiatt  
Washington Post Service

HONG KONG — Defense Secretary Casper W. Weinberger, concluding a visit to China, announced Thursday a new program of military cooperation between the United States and the United States.

U.S. and Chinese military officers will begin visiting each other's countries in 1984, he said, and they will study each other's training, logistics, battle tactics and other war-fighting skills. U.S. Navy ships may also visit Chinese ports for the first time since the revolution of 1949.

Announcement of the exchange program, one of the primary goals of Mr. Weinberger's five-day visit, followed Wednesday's agreement for President Ronald Reagan to visit China next April. The two announcements together mark a pronounced improvement in U.S.-Chinese relations, although China's skittishness about being seen as a U.S. ally, which threatened to cause problems at the beginning of Mr. Weinberger's visit, had certainly not entirely abated Thursday.

"The military people are not only warm and friendly, but they're interested in increasing their contacts," said a senior defense official traveling aboard Mr. Weinberger's U.S. Air Force jet from Shanghai to Hong Kong. The official spoke

with reporters on the condition that he not be named. "That all helps get a much closer ability to work together in any kind of contingency in the future," he added.

The official declined to say what contingencies he had in mind. During his talks in China, Mr. Weinberger was careful not to suggest direct strategic cooperation, but he repeatedly stressed his view that the United States and China were united in facing a major threat from the Soviet Union.

The Chinese did not publicly endorse that view, insisting that they would never attack themselves to "any great power or block of powers." But the official said he was confident after talks with the Chinese leader, Deng Xiaoping, Prime Minister Zhao Ziyang and other officials that the Chinese by and large shared his view of Soviet intentions.

"There's a common understanding of the threat that faces everybody—the Soviet threat," the official said. "They have no doubt about that."

Despite the generally positive atmosphere of the talks, however, Chinese officials remained suspicious of U.S. motives concerning Taiwan, which China regards as an internal problem, and the availability of sophisticated U.S. technology. U.S. officials who met with the Chinese in working groups and high-level sessions said the negotiations were cautious, halting, and at times painfully indirect.

The officials, uncertain of where they stood even on their last day in China, looked frantically Thursday morning for newspapers with the official Chinese press agency's account of this week's meetings.

"It's not your standard San Francisco labor negotiations," the senior official said. Asked what his goals had been, he joked, "First of all, not to be thrown out on the first day."

Said another Pentagon official: "I'd hate to deal with them when they're in a bad mood."

The difficulties were greatest during discussions of the U.S. arms sales to China, another principal

goal of Mr. Weinberger on the trip. Although U.S. officials said both sides wanted to do business, the questions raised by establishing such a relationship between two former enemies could not be answered in five days.

The United States is willing to sell China defensive weapons, including the improved TOW anti-tank missile and the improved Hawk anti-aircraft missile, components of early-warning radar systems and other weapons. Officials said they believed the Chinese were interested in buying the TOW, Hawk and others, although in what quantities was uncertain.

But the Chinese also want some more advanced weapons that the United States will not sell, and in some cases they did not themselves know exactly which weapons to ask for. The Chinese urged U.S. officials to explain what was available before they made any requests, and U.S. officials probed into what China needed before making any firm offers.

## Aides Consider Delaying Reagan Visit To Manila Until China Trip Next Year

By Steven R. Weisman  
New York Times Service

WASHINGTON — The scheduling of a visit to China by President Ronald Reagan in April raises new questions about whether Mr. Reagan should go ahead with his visit to the Philippines in November, according to a senior U.S. administration official.

The official said Wednesday that Mr. Reagan's two-week Asian itinerary this fall could be shortened, and that the stops in the Philippines, Indonesia and Thailand could be added to the China trip next year.

On Wednesday evening, however, a White House official reported that both William P. Clark, the national security adviser, and Michael K. Deaver, the deputy chief of the White House staff, had told colleagues that plans for the November trip were unchanged. The trip is to include stops in South Korea and Japan.

Administration aides are known to be debating whether to defer the Philippine visit after recent clashes in Manila between security forces and anti-government demonstrators. The White House is also concerned about security problems after the assassination in Manila last month of Benigno S. Aquino Jr., a leading Marcos opponent.

Mr. Reagan said recently that if Congress was still in session in November, he might have to shorten his Asian trip. Another factor that might cause a change of plans, according to an administration official, is the health of Nancy Reagan, who canceled public appearances this week to get over a bad cold.

The White House, meanwhile, said the announcement of Mr. Reagan's visit to China next April, and that of Premier Zhao Ziyang to the United States in January, indicated an improvement in U.S.-Chinese relations.

Administration officials said the announcement would probably cause some wariness in the Soviet Union, at a time of strain in U.S.-Soviet relations.

## English Clean Up Oil From Tanker

The Associated Press

HULL, England — Aircraft and tugboats Thursday sprayed chemicals to break up a mile-long (1.6-kilometer) oil slick while workers on beaches shoveled the crude into pits in a big cleanup effort after a spill from an Iranian tanker.

The slick endangered wildlife, including 20,000 birds, and resorts on a 40-mile stretch of the Humber River in northeastern England. The spill occurred Wednesday when at least 20,000 gallons (about 75,000 liters) of crude poured from a hole below the waterline of the tanker Sivad after it slammed into a jetty in the river estuary.



HABRE VISIT — French Defense Minister Charles Henni greeting President Hissène Habré of Chad, who arrived Thursday in France. Mr. Habré, in an interview published Thursday in the magazine Jeune Afrique, made clear his continuing dissatisfaction with the way President François Mitterrand has deployed French troops in Chad.

## Shiites Briefly Detain 2 U.S. Soldiers in Beirut

By William Claiborne  
Washington Post Service

BEIRUT — Two U.S. Army soldiers who made a wrong turn into a Shiite Moslem neighborhood were abducted and held for two hours Thursday by Moslem militiamen until their release was negotiated by the Lebanese Army.

Meanwhile, Beirut International Airport was reopened for the first time in more than a month, following a meeting of a military committee representing the Lebanese Army and the three major militias of the Shiites, Christians and Druze.

A U.S. Marine spokesman said the two abducted soldiers — an officer and an enlisted man assigned to classified technical duties in the Marine peacekeeping contingent — were disarmed, searched and interrogated before they were released and returned to their unit near the airport.

They were the first U.S. troops abducted by any of the factional militias here.

Major Jordan said the two made a wrong turn in a jeep on their first trip to central Beirut and did not know they were in a militia-controlled zone.

"They are a little embarrassed," he said.

The incident occurred on a day in which fewer cease-fire violations occurred than in the previous three days, although a Lebanese Army unit near Souk el-Gharb in the hills east of Beirut came under sniper fire.

The Beirut airport had not been open since Aug. 28. Druze militias in the strategic hills overlooking the capital had threatened to shell any civilian or military aircraft that attempted to land.

In what many Lebanese regard as a symbol of a return to at least a semblance of normal, a Boeing 707 of Middle East Airlines, the national carrier, landed with passengers returning from pilgrimage to Mecca, in Saudi Arabia.

## WORLD BRIEFS

### U.S. Senate Joins House to Approve Measure to Keep Marines in Lebanon

WASHINGTON (WP) — The U.S. Senate joined the House of Representatives on Thursday in agreeing to permit President Ronald Reagan to keep U.S. Marines deployed in Lebanon for another 18 months as part of a multinational peacekeeping force.

In a heavily partisan 54-46 vote, coming one year to the day after the marines were sent to Lebanon, the Senate approved a compromise resolution. It previously rejected two Democratic moves to limit the marines' stay to two or six months. On Wednesday, the House approved the 18-month extension by a 270-161 vote, with nearly half the Democrats voting in favor.

The Senate version differs from the House version only in technical ways. Legislative strategy was for the House to adopt the Senate version, either Thursday or next week. It was considered likely to be approved without problems.

### House Passes Stop-Gap Spending Bill

WASHINGTON (NYT) — The House of Representatives has speedily adopted, by a vote of 261-160, a stop-gap spending measure needed to keep the government operating in the 1984 fiscal year, which begins Saturday.

But a spokesman for the Office of Management and Budget said that it was "50-50" whether President Ronald Reagan would veto the measure, called a continuing resolution, because the Administration considered its financing for agriculture "unacceptably high" by about \$4 billion. The bill was approved Wednesday.

Stop-gap spending resolutions have become commonplace in Washington because Congress has been unable to enact most individual spending bills before the beginning of a new fiscal year. The approved measure is to expire Nov. 15, requiring a new bill to continue funding into next year.

### Britain Expels Soviet Trade Official

LONDON (UPI) — Britain ordered Thursday the expulsion of a Soviet official, the sixth since the start of the year, for "activities incompatible" with his position — diplomatic language for spying.

The Foreign Office announced said the trade official, Vasily Ionov, who has been in Britain since April 1981, "was asked to leave the country because he was engaged in activities incompatible with his position at the trade delegation." The Soviet Embassy denied Mr. Ionov was a spy.

Mr. Ionov is not a diplomat and does not enjoy special status under British law. But the Foreign Office said Britain decided not to prosecute Mr. Ionov because "we believe that national security would best be served by asking for his immediate withdrawal." He was given seven days to leave.

### Poland Indicts 4 Solidarity Advisers

WARSAW (AP) — The Polish authorities indicted Jack Kuron, Adam Michnik and two other advisers of the outlawed Solidarity labor federation Thursday on charges of preparing to overthrow Poland's socialist system, the official news agency PAP reported.

Zbigniew Romaszewski and Henryk Wujec were the two other members of the Workers Defense Committee (KOR) indicted by the authorities, according to the official report. They face jail terms of up to 10 years if convicted.

The Solidarity chairman, Lech Walesa, called the indictment "a dirty action," but declined further comment.

### British Laborites Ease Nuclear Stand

LONDON (AP) — The opposition Labor Party's policy-making national executive moved Wednesday to end the socialist movement's commitment to unilaterally scrap Britain's nuclear weapons.

The 28-member body recommended instead that Britain's submarine-launched Polaris nuclear missiles be included in current arms negotiations. The recommendation will be put to a vote next week at Labor's annual conference, where it is certain to meet stiff resistance from the party's left wing.

The move marked Labor's first backtracking from unilateral nuclear disarmament, which was considered to be an important factor in the party's resounding defeat by the ruling Conservatives in general elections in June.

### West Germans Protest Jobless Rate

BONN (Reuters) — More than 100,000 West German steel and shipyard workers demonstrated here Thursday, calling for action to save jobs and for government aid to industry.

Rudolf Judith, executive member of the metalworkers' union that staged the demonstration, called for the nationalization of the West German steel industry, saying managers were incapable of solving the industry's problems. In steel and shipbuilding, the unemployment rate is 14 percent, he said, compared with 8.9 percent nationally.

The demonstration took place four days after setbacks for the government in state elections in Hesse and Bremen that were attributed to its economic policies.

### Papal Attacker Faces Slander Charge

ROME (UPI) — Investigators said Thursday that they have begun slander proceedings against Mehmet Ali Agca, the gunman who shot Pope John Paul II in May 1981. The move could undermine the alleged Bulgarian connection in the attack.

It was on Mr. Agca's testimony that Judge Ilario Martella ordered the arrest of Sergei Antonov, station chief in Rome for the Bulgarian airline, 10 months ago on charges of complicity in the attack on the pope in St. Peter's Square.

The judge gave no details of the latest proceedings. But sources close to the investigation said they concerned another Bulgarian plot alleged by Mr. Agca — to assassinate the Solidarity leader, Lech Walesa, during his visit to Italy in January 1982. If Mr. Agca's testimony were ruled false on the Walesa plot, the case for a Bulgarian connection to the papal assassination attempt could collapse, they said.

### For the Record

A two-week ban by many nations on air service in and out of the Soviet Union ended at midnight Wednesday, but only in West Germany and Switzerland were flights immediately resumed. In most countries, flights were to start later in the week or faced longer stoppages because of continuing boycotts by some pilots and ground crews. (AP)

At eight French museums, including the Louvre and the Palace of Versailles, guards and watchmen ended a one-day strike Thursday after saying they had received assurances from the government to speed up their inclusion in the civil service system. (AP)

## A Good Wager — The "Gewinn-Spiel"

Your Chance to Win Deutsch Marks  
Guaranteed Prize Money: 188.120 Million DM  
Look at the figures:

1. Class		2. Class		3. Class		4. Class		5. Class		6. Class		7. Class		8. Class		9. Class		10. Class		11. Class		12. Class		13. Class		14. Class		15. Class		16. Class		17. Class		18. Class		19. Class		20. Class		21. Class		22. Class		23. Class		24. Class		25. Class		26. Class		27. Class		28. Class		29. Class		30. Class		31. Class		32. Class		33. Class		34. Class		35. Class		36. Class		37. Class		38. Class		39. Class		40. Class		41. Class		42. Class		43. Class		44. Class		45. Class		46. Class		47. Class		48. Class		49. Class		50. Class		51. Class		52. Class		53. Class		54. Class		55. Class		56. Class		57. Class		58. Class		59. Class		60. Class		61. Class		62. Class		63. Class		64. Class		65. Class		66. Class		67. Class		68. Class		69. Class		70. Class		71. Class		72. Class		73. Class		74. Class		75. Class		76. Class		77. Class		78. Class		79. Class		80. Class		81. Class		82. Class		83. Class		84. Class		85. Class		86. Class		87. Class		88. Class		89. Class		90. Class		91. Class		92. 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Class		259. Class		260. Class		261. Class		262. Class		263. Class		264. Class		265. Class		266. Class		267. Class		268. Class		269. Class		270. Class		271. Class		272. Class		273. Class		274. Class		275. Class		276. Class		277. Class		278. Class		279. Class		280. Class		281. Class		282. Class		283. Class		284. Class		285. Class		286. Class		287. Class		288. Class		289. Class		290. Class		291. Class		292. Class		293. Class		294. Class		295. Class		296. Class		297. Class		298. Class		299. Class		300. Class		301. Class		302. Class		303. Class		304. Class		305. Class		306. Class		307. Class		308. Class		309. Class		310. Class		311. Class		312. Class		313. Class		314. Class		315. Class		316. Class		317. Class		318. Class		319. Class		320. Class		321. Class		322. Class		323. Class		324. Class		325. Class		326. Class		327. Class		328. Class		329. Class		330. Class		331. Class		332. Class		333. Class		334. Class		335. Class		336. Class		337. Class		338. Class		339. Class		340. Class		341. Class		342. Class		343. Class		344. Class		345. Class		346. Class		347. Class		348. Class		349. Class		350. Class		351. Class		352. Class		353. Class		354. Class		355. Class		356. Class		357. Class		358. Class		359. Class		360. Class		361. Class		362. Class		363. Class		364. Class		365. Class		366. Class		367. Class		368. Class		369. Class		370. Class		371. Class		372. Class		373. Class		374. Class		375. Class		376. Class		377. Class		378. Class		379. Class		380. Class		381. Class		382. Class		383. Class		384. Class		385. Class		386. Class		387. Class		388. Class		389. Class		390. Class		391. Class		392. Class		393. Class		394. Class		395. Class		396. Class		397. Class		398. Class		399. Class		400. Class		401. Class		402. Class		403. Class		404. Class		405. Class		406. Class		407. Class		408. Class		409. Class		410. Class		411. Class		412. Class		413. Class		414. Class		415. Class		416. Class		417. Class		418. Class		419. Class		420. Class		421. Class		422. Class		423. Class		424. Class		425. Class		426. Class		427. Class		428. Class		429. Class		430. Class		431. Class		432. Class		433. Class		434. Class		435. Class		436. Class		437. Class		438. Class		439. Class		440. Class		441. Class		442. Class		443. Class		444. Class		445. Class		446. Class		447. Class		448. Class		449. Class		450. Class		451. Class		452. Class		453. Class		454. Class		455. Class		456. Class		457. Class		458. Class		459. Class		460. Class		461. Class		462. Class		463. Class		464. Class		465. Class		466. Class		467. Class		468. Class		469. Class		470. Class		471. Class		472. Class		473. Class		474. Class		475. Class		476. Class		477. Class		478. Class		479. Class		480. Class		481. Class		482. Class		483. Class		484. Class		485. Class		486. Class		487. Class		488. Class		489. Class		490. Class		491. Class		492. Class		493. Class		494. Class		495. Class		496. Class		497. Class		498. Class		499. Class		500. Class		501. Class		502. Class		503. Class		504. Class		505. Class		506. Class		507. Class		508. Class		509. Class		510. Class		511. Class		512. Class		513. Class		514. Class		515. Class		516. Class		517. Class		518. Class		519. Class		520. Class		521. Class		522. Class		523. Class		524. Class		525. Class		526. Class		527. Class		528. Class		529. Class		530. Class		531. Class		532. Class		533. Class		534. Class		535. Class		536. Class		537. Class		538. Class		539. Class		540. Class		541. Class		542. Class		543. Class		544. Class		545. Class		546. Class		547. Class		548. Class		549. Class		550. Class		551. Class		552. Class		553. Class		554. Class		555. Class		556. Class		557. Class		558. Class		559. Class		560. Class		561. Class		562. Class		563. Class		564. Class		565. Class		566. Class		567. Class		568. Class		569. Class		570. Class		571. Class		572. Class		573. Class		574. Class		575. Class		576. Class		577. Class		578. Class		579. Class		580. Class		581. Class		582. Class		583. Class		584. Class		585. Class		586. Class		587. Class		588. Class		589. Class		590. 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Class		674. Class		675. Class		676. Class		677. Class		678. Class		679. Class		680. Class		681. Class		682. Class		683. Class		684. Class		685. Class		686. Class		687. Class		688. Class		689. Class		690. Class		691. Class		692. Class		693. Class		694. Class		695. Class		696. Class		697. Class		698. Class		699. Class		700. Class		701. Class		702. Class		703. Class		704. Class		705. Class		706. Class		707. Class		708. Class		709. Class		710. Class		711. Class		712. Class		713. Class		714. Class		715. Class		716. Class		717. Class		718. Class		719. Class		720. Class		721. Class		722. Class		723. Class		724. Class		725. Class		726. Class		727. Class		728. Class		729. Class		730. Class		731. Class		732. Class		733. Class		734. Class		735. Class		736. Class		737. Class		738. Class		739. Class		740. Class		741. Class		742. Class		743. Class		744. Class		745. Class		746. Class		747. Class		748. Class		749. Class		750. Class		751. Class		752. Class		753. Class		754. Class		755. Class		756. Class		757. Class		758. Class		759. Class		760. Class		761. Class		762. Class		763. Class		764. Class		765. Class		766. Class		767. Class		768. Class		769. Class		770. Class		771. Class		772. Class		773. Class		774. Class		775. Class		776. Class		777. Class		778. Class		779. Class		780. Class		781. Class		782. Class		783. Class		784. Class		785. Class		786. Class		787. Class		788. Class		789. Class		790. Class		791. Class		792. Class		793. Class		794. Class		795. Class		796. Class		797. Class		798. Class		799. Class		800. Class		801. Class		802. Class		803. Class		804. Class		805. Class		806. Class		807. Class		808. Class		809. Class		810. Class		811. Class		812. Class		813. Class		814. Class		815. Class		816. Class		817. Class		818. Class		819. Class		820. Class		821. Class		822. Class		823. Class		824. Class		825. Class		826. Class		827. Class		828. Class		829. Class		830. Class		831. Class		832. Class		833. Class		834. Class		835. Class		836. Class		837. Class		838. Class		839. Class		840. Class		841. Class		842. Class		843. Class		844. Class		845. Class		846. Class		847. Class		848. Class		849. Class		850. Class		851. Class		852. Class		853. Class		854. Class		855. Class		856. Class		857. Class		858. Class		859. Class		860. Class		861. Class		862. Class		863. Class		864. Class		865. Class		866. Class		867. Class		868. Class		869. Class		870. Class		871. Class		872. Class		873. Class		874. Class		875. Class		876. Class		877. Class		878. Class		879. Class		880. Class		881. Class		882. Class		883. Class		884. Class		885. Class		886. Class		887. Class		888. Class		889. Class		890. Class		891. Class		892. Class		893. Class		894. Class		895. Class		896. Class		897. Class		898. Class		899. Class		900. Class		901. Class		902. Class		903. Class		904. Class		905. Class		906. Class		907. Class		908. Class		909. Class		910. Class		911. Class		912. Class		913. Class		914. Class		915. Class		916. Class		917. Class		918. Class		919. Class		920. Class		921. Class		922. Class		923. Class		924. Class		925. Class		926. Class		927. Class		928. Class		929. Class		930. Class		931. Class		932. Class		933. Class		934. Class		935. Class		936. Class		937. Class		938. Class		939. Class		940. Class		941. Class		942. Class		943. Class		944. Class		945. Class		946. Class		947. Class		948. Class		949. Class		950. Class		951. Class		952. Class		953. Class		954. Class		955. Class		956. Class		957. Class		958. Class		959. Class		960. Class		961	
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# Nicaraguan Rebels Reported on Offensive to Keep U.S. Funds

By Loren Jenkins

Washington Post Service

SAN JOSE, Costa Rica — The sudden new burst of guerrilla activity against Nicaragua's government this month results from a new strategy imposed on the Nicaraguan rebels by the U.S. Central Intelligence Agency, according to U.S. and rebel sources.

For the rebels, the offensive is said to be a "do or die" effort aimed as much at convincing the U.S. Congress that they are worth the money put into their operations as against the ruling Sandinistas in Managua.

According to sources in Costa Rica, Honduras and the United States, the effectiveness of the CIA-orchestrated campaign, begun last year, produced an ultimatum. With Congress threatening to cancel financing for the not-so-secret "covert" operations, the CIA is reported to have told its leading Nicaraguan surrogate group, the Honduras-based Nicaraguan Democratic Force, last spring that unless it "shaped up," funds would be cut off this month.

This represented the time that Congress is due to decide on renewing covert funds for the coming fiscal year.

According to a senior Nicaraguan Democratic Force official, so serious was the CIA pressure that, by April, supplies to forces in the field dried up — leaving units deep inside Nicaragua without support.

"We were left with no choice but to call our people back to their bases in Honduras," the official said.

A well-informed U.S. source in Tegucigalpa, Honduras, said the recall of the forces was not only the result of their sudden lack of U.S. supplies, but also of the insistence of the CIA station chief in the Honduran capital that the rebels produce a credible strategy to convince Washington of their viability.

"Our effort to simply fight a war in the rural countryside was a failure," said a Democratic Force leader, "because it did not produce the popular uprising of the Nicaraguan people we had originally hoped for."

"We became convinced," said Edgar Chamorro Coronel, another leader, "that if we don't get into the cities, then we are doomed to fight for another 20 years in the mountains."

According to Democratic Force sources, the re-evaluation of strategy ended in June. In early July, with renewed U.S. supplies, the force began to re-infiltrate its units — variously estimated to comprise from 4,000 to 7,000 men.

"Our strategy now has been to go for important economic targets that would hurt the Sandinistas," a Democratic Force leader said, "as well as to make our struggle known in urban communities by briefly occupying them, painting their streets with slogans, holding a political rally or two, distributing arms to sympathizers for later use, then withdrawing before the Sandinistas could mobilize to concentrate their superior forces against us."

The CIA, the sources said, urged new efforts to unite the various anti-Sandinista groups — especially the Democratic Force and the Costa Rica-based Democratic Revolutionary Alliance, headed by Edén Pastora Gómez, the dissident Sandinista hero.

Mr. Pastora made his name as a Sandinista fighting to overthrow Nicaragua's dictator, Anastasio Somoza, in 1979. He has refused to unite with the Democratic Force because it is commanded by many Somoza-era Nicaraguan National Guard officers.

Despite repeated hints by Democratic Force officials that unity or cooperation with Mr. Pastora is near, his spokesmen are adamant that, so long as former guardsmen have key roles in the Democratic Force, there can be no unity.

However, there are signs that Mr. Pastora no longer operates in the same isolation as when he began his fight against the Sandinistas on May 1.

Using small planes, his alliance bombed Managua's international airport Sept. 8, the attack coinciding with a Democratic Force raid against the vital Nicaraguan oil terminal at Puerto Sandino. Although Mr. Pastora's supporters denied any coordination, Democratic

Force spokesman said in Tegucigalpa that they had previous knowledge of the airport attack.

Alliance officials acknowledge that they have had inusions of money this summer from foreign sources — of whom they chose not to ask too many questions. This raised the suspicion that, all denials aside, the group has joined the Democratic Force in the CIA-inspired guerrilla offensive against the Managua government.

Rebels Attack Border Post

Costa Rican-based rebels attacked and burned Nicaragua's main southern border post Wednesday and dynamited power lines leading to the north, The Associated Press reported from San Jose.

The rebels attacked Peñas Blancas, a Nicaraguan post 90 miles (140 kilometers) south of Managua.

A Nicaraguan Army officer said the customs office in Peñas Blancas was damaged in a mortar attack, other buildings were destroyed and telephone communications were cut.



Edén Pastora Gómez

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## Nixon Urges More Aid For Central America

By Doyle McManus

Los Angeles Times Service

WASHINGTON — Former President Richard M. Nixon advised a commission headed by Henry A. Kissinger this week to aim toward a "very bold" expansion of U.S. aid to Latin America.

After two hours of closed-door discussion Wednesday with the National Bipartisan Commission on Central America, Mr. Nixon said he had discussed the possibility of a long-term program for Latin America comparable to the Marshall Plan, which helped rebuild Europe after World War II.

The plan would cost more and take more time, Mr. Nixon said. But, he added, "It is money that needs to be spent."

According to a Nixon spokesman, the discussions marked the first time a U.S. government body has publicly requested Mr. Nixon's advice on policy since he resigned the presidency in disgrace in 1974.

The spokesman added that since the Watergate scandal Mr. Nixon has been consulted privately "on various matters at the highest levels."

Mr. Kissinger, who was Mr. Nixon's national security adviser and later secretary of state, has invited all living former presidents to testify before the commission. Jimmy Carter and Gerald R. Ford appeared in August.

Mr. Nixon, 70, strongly endorsed the Reagan administration's policy of aid to El Salvador and to pro-U.S. guerrillas fighting the leftist government of Nicaragua.

He said he remembered when Fidel Castro came to power in Cuba and many people asked "what could little Cuba do to the United States?"

"And then," Mr. Nixon added, "when the Sandinistas took over Nicaragua, 'What could little Nicaragua do to the United States?' And now they're saying, 'What does it matter if little El Salvador goes Communist? The answer is, it can do a great deal.'"

He called on the commission, which President Ronald Reagan appointed to formulate long-term policies for Central America, to propose a program that would pump U.S. aid into the region's economies over a period of at least 10 years.

Mr. Kissinger, who also has called for an expanded U.S. aid commitment, appeared pleased. "Now all we need is to get the president to write the report," he said, referring to Mr. Nixon.



James G. Watt

## U.S. Judge Blocks Watt From Selling Reserves of Coal

Washington Post Service

WASHINGTON — A U.S. judge has blocked Interior Secretary James G. Watt from selling 140 million tons of coal reserves in North Dakota to private interests, saying that the issue raised the constitutional question of whether Congress could prevent such sales of federal coal mining leases.

District Judge Louis Oberdorfer's ruling, distinguishing between the so-called legislative veto that the Supreme Court has struck down and constitutional provisions giving Congress the power to dispose of federal property, came only three days before a congressional moratorium on the sale of coal is to go into effect.

The Reagan administration apparently will appeal the decision to the Supreme Court. A Justice Department spokesman said Wednesday night: "We believe the decision is wrong, but we will not pursue an expedited appeal. However, we will pursue the litigation in its normal course and expect to file our additional papers next month."

The House Interior Committee, reacting to the sale of federal coal leases at low prices and arguing that the coal lands should be protected for environmental and cultural reasons, has voted to prevent Mr. Watt from holding any further auctions this year. The Interior Department, defying the resolution, proceeded with an auction two weeks ago but drew bids on only about one-fifth of the coal tonnage available.

## Senate Panel Criticizes Social Security Agency

By Robert Pear

New York Times Service

WASHINGTON — A report by a Republican-controlled Senate Governmental Affairs subcommittee says that the Social Security Administration improperly put pressure on its hearing officers to cut off benefits for disabled people.

The bipartisan report by Subcommittee on Oversight of Government Management said the Social Security agency, which administers the program of retirement benefits and disability payments, was "pressuring its administrative law judges to reduce the rate at which they allow disabled persons to participate" in the program.

In the last year and a half, it said, such pressure has reduced by 23 percent the rate at which judges allow benefits in cases appealed to them by new applicants and those whose eligibility is being reviewed. The pressure has also led to a 25-percent increase in the judges' productivity, it said.

"Thus, it appears that the Social Security Administration is achieving its objectives," the report said, but "at an immeasurable cost to individual lives and to the integrity of the Social Security disability insurance program."

Social Security officials have denied putting improper pressure on the administrative law judges, who are employees of the agency, and have vigorously defended their effort to trim the rolls by identifying recipients ineligible for benefits.

In the last year, people receiving disability benefits and some of the administrative law judges have complained that the Social Security Administration was putting pressure on the judges to deny appeals. The report issued Wednesday by the Senate subcommittee goes beyond these assertions and is based on an independent investigation.

The fact that Republicans constitute a majority of the panel gives the conclusions added weight. In response to constituents' complaints, some Republicans in Congress have joined Democrats in chiding the Reagan administration for its handling of the program.

The program costs \$18 billion a year and provides monthly cash benefits to 3.9 million people. Under a 1980 law, the Social Security Administration is required to re-examine recipients every three

## 7 Governors Ask U.S. Drought Aid

New York Times Service

AUSTIN, Texas — The Southern Governors' Conference has adopted a resolution calling for vast federal aid to agricultural states suffering from the worst drought in decades.

The resolution was adopted unanimously Wednesday by the seven governors, all Democrats, who were still present and voting as the three-day conference closed. It was accompanied by sharp criticism of the Reagan administration, suggesting that Democrats planned to make drought relief a political issue in next year's presidential election.

Speaking on the resolution, Governor Mark White of Texas said: "One thing that points out the uncaring nature of this administration was their suggestion to let these farmers and ranchers graze their livestock on the crops they raise. Well, there are no crops and the cattle are dying by the thousands."

## Andropov Rejection of Missile Offer Will Disappoint World, U.S. Says

New York Times Service

WASHINGTON — "The world will be deeply disappointed" with the statement issued Wednesday by Yuri V. Andropov, the Soviet leader, dismissing new U.S. proposals on limiting nuclear arms, according to the State Department.

In a response issued Wednesday, the department avoided the kind of sharp polemics that were included in Mr. Andropov's statement and in earlier charges from Washington at the height of the South Korean airliner incident.

Mr. Andropov took sharp issue with the Reagan administration over the campaign against Moscow's handling of the airliner incident and over the arms control proposals made by President Ronald Reagan at the United Nations on Monday.

The State Department said Mr. Andropov, by repeating the past Soviet explanation for the downing of the airliner, had "for the first time associated the highest levels of the Soviet government with the pathetic charges that the Soviet shutdown of a civilian aircraft was the result of 'a sophisticated provocation organized by the U.S. Special Services.'"

It said Moscow "must accept responsibility and respond to the world's legitimate demands," including compensation for the families of the victims and steps to ensure that such events cannot occur again.

Kennan Warns U.S.-Soviet Ties Pose War Danger

The Associated Press

NEW YORK — The current state of relations between the United States and the Soviet Union can lead only to a world-destructive war, George F. Kennan, the veteran diplomat and scholar of Soviet affairs, writes in the current issue of New Yorker magazine.

Mr. Kennan said the United States must break this pattern, starting by abandoning a view that sees Soviet leaders as "supremely independent, wholly on top of all their other problems and madly riveted to dreams of world conquest."

He said there were "many persuasive indications that that leadership, however complicated its relations with the West may be, does not want war — that it has a serious interest in avoiding such a war and



George F. Kennan

## An Advanced U.S.-Soviet Hot Line Was Discussed Before 747 Downing

By Robert C. Toth

Los Angeles Times Service

WASHINGTON — A proposed hot line between the Pentagon and the Soviet Defense Ministry was discussed in Moscow by the United States and the Soviet Union less than a month before the shooting down of a South Korean commercial jetliner, U.S. officials have revealed.

A delegation from the U.S. State Department, the Pentagon and the National Security Council held talks about the hot line with the Soviet Union on Aug. 9 and 10, the officials said Monday. A Soviet fighter shot down Korean Air Lines Flight 7 on Sept. 1, killing all 269 persons aboard.

The hot line, along with improved political and diplomatic communications, was among "confidence-building steps" proposed in May by President Ronald Reagan. Mr. Reagan told the United Nations on Monday that these steps, as well as arms-control agreements, "would make our world less dangerous."

Mr. Reagan's reference to the measures stirred speculation in Washington. Some officials said they felt that he wanted to indicate that improving communications would be a step toward ending the strident hostility between the United States and the Soviet Union since the plane was shot down.

However, an administration official denied there was any special significance to Mr. Reagan's words, although he said progress in communications was possible.

"There had been a productive first round of talks in Moscow," the official said. "Nothing conclusive, but there was agreement to meet again. In the post-Korean-airliner period, however, it's hard to say when that will be."

In a statement May 24, Mr. Reagan called for "a direct military communications link that could be used for the rapid exchange of technical military information, thereby preventing misunderstanding in a crisis." It was to consist of facsimile transmission equipment that could send maps, charts and drawings, as well as words, around the world within minutes.

Had the military link already been installed and working, U.S. officials said Monday, Soviet defense authorities could have asked the Pentagon quickly whether a U.S. reconnaissance plane was violating Soviet airspace over Sakhalin Island, as the Soviet Union purportedly believed.

A U.S. denial might have made the Soviet Union more wary about shooting down the commercial airliner, the officials said. At the least, the Soviet inquiry would have alerted U.S. authorities that some kind of aircraft had intruded in Soviet

airspace and might have initiated a search to avert a catastrophe.

Mr. Reagan also proposed improving the existing hot line between Washington and Moscow as well as the regular diplomatic communications of their embassies.

Other U.S. proposals call for advance notice of tests of long-range and intermediate-range ballistic missiles and of major military maneuvers.

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Herald Tribune  
WEEKEND

September 30, 1983

Page 5

# The High and the Mighty, Bonded by Karsh of Ottawa

by Joseph Fitchett

OTTAWA — "Great people are in the habit of giving themselves if they trust you," the photographer Yousuf Karsh says in his soft voice. Suddenly his brown eyes turn on like warm lights, creating a private stage, with Karsh as an infinitely receptive audience.

This state of being "Karshed" — the word was coined by Lord Montgomery of Alamein — applies to the thousands of celebrities who have sat for portraits by Karsh of Ottawa. His subjects range from Fidel Castro to François Mitterrand, from the adolescent Elizabeth Taylor to the aged Pablo Casals, caught in the power of his music, to John Steinbeck, living in Parisian elegance that would surprise anyone who knew him only as the Dust Bowl novelist.

The hopeful President John Kennedy gazing skyward, the blind Helen Keller with the world pulsing into her fingers, the serene Albert Einstein, the anguished Albert Camus in the cell of his own books — for half a century, Karsh has combined his pursuit of famous men and women with his gift for establishing a momentary bond of intimacy to produce photographs of physical and psychological depth.

Dressed elegantly yet comfortably even at work in his darkroom in an Ottawa hotel, at his riverside home just outside Ottawa or in his New York apartment, Karsh at age 75 is a short, bald man with tentative, solicitous gestures. He likens his rapport with his subjects to the relationship between a patient and a trusted physician, writing: "There is always a revealing moment, a moment of truth, and the photographer must learn to evoke it, to sense it, to be ready for it when it makes its fleeting appearance."

For many of his subjects, the Karsh portrait has become the definitive interpretation of their personality. His World War II picture of a scowling Winston Churchill became a symbol of British defiance. When Tennessee Williams lay in a hospital battling drug addiction, he sent for Karsh's 20-year-old photograph of him, with a drink and cigarette, at his typewriter. The playwright's note said: "It will help me to remember better times and urge me to be my old self again."

Absorbing as his individual portraits are, the cumulative impact is stronger. His volumes of portraits in the last 20 years constitute a kind of museum in which some works are permanent — his greatest pictures — and others change as Karsh experiments with people or techniques.

His latest book, "Karsh, A 50-Year Retrospective," (published by the University of Toronto Press, by the New York Graphic Society with Little, Brown, by Secker and Warburg in London and by Filipacchi in Paris) is a departure in many respects. The reproductions lack the lustrous depth afforded by the earlier books' elaborate printing, which is no longer affordable in a trade book priced at \$50.

As compensation, the new book is the first to contain Karsh's portraits in color. "Today, the technology of color has begun to catch up with its esthetic possibilities," Karsh notes. "One can now print muted and subtle tones which, especially in portraiture, are important to capture the expressive nuances of the human face."

And the new book includes companion photographs to some of his most-celebrated portraits. The famous 1941 picture of Churchill — involving the equally famous anecdote of Karsh's getting his effect by plucking the omnipresent cigar out of Churchill's mouth just before he snapped the shutter — is followed by a portrait of the British leader smiling as he contemplates the tenacity of the young Canadian immigrant photographer. "This one was a favorite of his family," Karsh notes.

There is also a moving sequence of Ernest Hemingway's moods — defiant, fretful, anxious. "The shyest man I ever met," Karsh calls Hemingway. Then there is a selection of photographed hands — including those of Eleanor Roosevelt, Albert Schweitzer, Jascha Heifetz, Arthur Rubinstein and Moira Shearer. "Usually I never photograph hands alone, they are a complement," Karsh says, "but they are, for me, almost a barometer of a person's being, a distillation of the whole personality."

Coinciding with the book's publication, the International Photography Center in New York opened this week "Karsh: 50 Years: A Retrospective" and the inaugural exhibition at the Museum of Photography, Film and TV at Bradford, England, shows more of the photographer's work, titled "75 Prints for 75 Years." This show will move to London's National Portrait Gallery.

One key to his work is his technical dexterity; "he still ties the nearest packages of anyone in the whole studio," an associate says. Another key is his intricate lighting, which makes light and shadow an extension of his sitters' personalities. A sublime example is his 1956 portrait of the American painter Georgia O'Keeffe. "Like many decisive women," Karsh recalls, "she always dressed in the same way, in her case a dramatic black-and-white ensemble which she ordered in numerous identical copies from Dior to ensure that it was elegant enough to carry off her austerity."

Karsh's portrait of her, seated under a bleached skull of a steer and peering past a wooden door into the sun and shadow of the New Mexican desert, captured her vulnerability and her strength so perfectly that she confided later it became part of how she saw herself.

"It was the first picture I took of her — none of the subsequent shots turned out so well," Karsh says. "Perhaps it worked that way because I had absorbed so vividly the many details about her from her friends, so I was totally immersed when I first saw her."

He calls this "doing my homework, finding out as much as I can about each person I am to photograph," a practice he started during a 1943 working visit to London. "I don't enter a session with a preconceived idea," he explains, "but it's all inside me, helping me make conversation to make the subject feel at ease yet alert, helping the personality expand so I can recognize it and capture it. Success, of course, requires the utmost concentration, but that concentration must never be allowed to show, lest it shake the sitter's own feeling of ease."

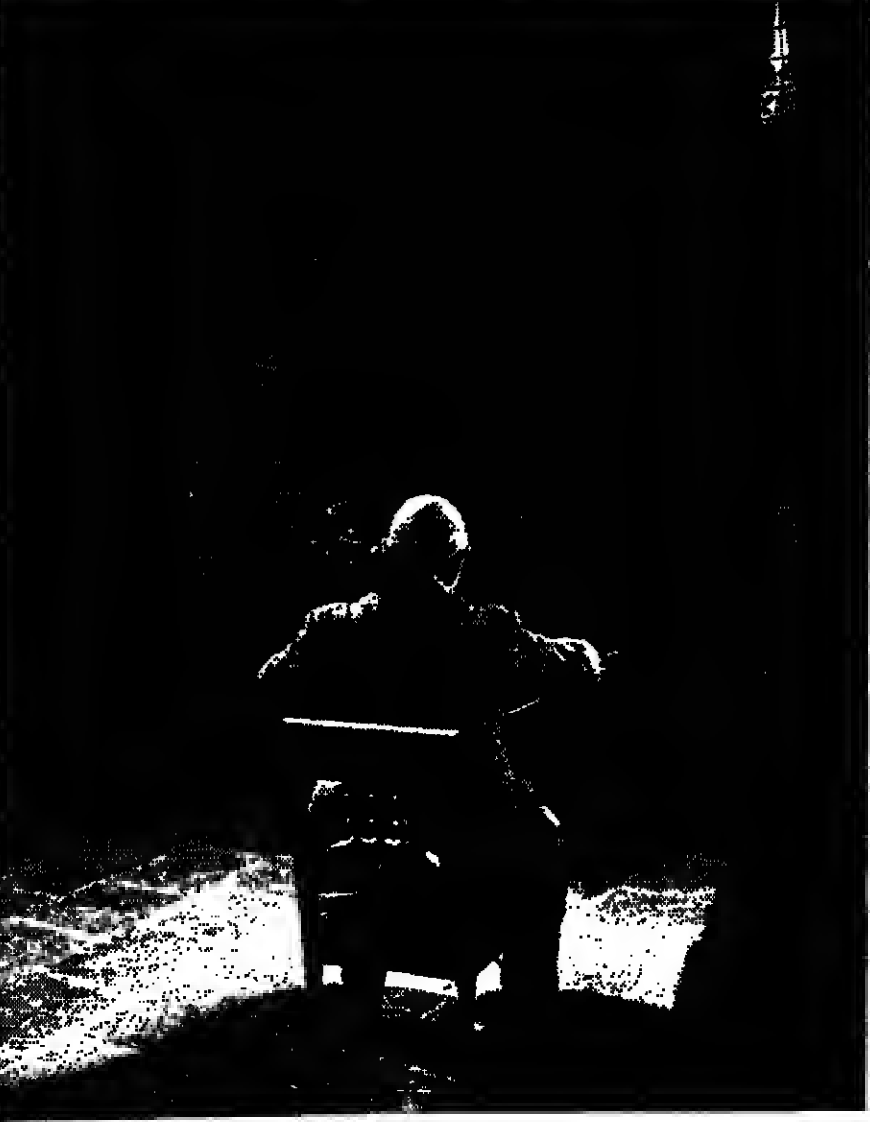
Describing his 1981 session with President Mitterrand of France, Karsh recalls the cramped conditions after he installed his stu-



Winston Churchill.



Georgia O'Keeffe.



Pablo Casals.

# Only a Bird in a Gilded 'Cage'

PARIS — The musical version of "La Cage aux Folles" opened on Broadway at the end of August and by the look of advance bookings will be rumbling well into the millennium. Critics wrote a lot of nice things about it, but the review that Allan Carr, its producer, likes to quote calls the play "a Ziegfeld Follies with a heart." Not only is this a pleasant thought, but by implication it places Carr right next to the great Florenz Ziegfeld himself.

Carr, 42, is a chubby entrepreneur whose intention was to go straight from Highland Park, Illinois, to Broadway but who was waylaid into making millions of dollars in Hollywood, where he gave a lot of celebrated parties and was known as "creative," which is Hollywood parlance for very rich. By profession he was a manager whose clients

put Carr's name on a sucker list of would-be Broadway backers and soon he was reading yellowed scripts like a pro. The first show he put any money into was "The Happiest Millionaire," with Walter Pidgeon, and he made a profit.

His next theatrical venture was to bring Bette Davis and Gary Merrill, who were playing "The World of Sandburg" in a gymnasium in Appleton, Wisconsin, to Chicago. He put on a couple of other serious plays, but the film world called when he went to Spain to choreograph the 15-year-old daughter of a friend who was playing Salome in "King of Kings," produced by Samuel Bronston. "It was the last of that big era," Carr says. "I said, 'Oh boy, I like this a lot.'"

So he went to Hollywood and discovered Marlo Thomas and became a manager of stars. "I was a career doctor. I was good at people on the rise or going slightly down. My expertise was in telling Dyan Cannon to get her hair cut and to stop Peter Sellers from going through those airport machines with his pacemaker. He used to love doing that."

On vacation in Acapulco he heard about an endless Mexican film, "Survival," which was a rip-off of "Alive," the story of preppy cannibalism after an Andes airplane crash. "Survival" had only two things to recommend it: the crash scene and what Carr delicately refers to as the eating scene. He bought it, had it recut and sharply marketed, and made a fortune, after which he made another fortune with "Grease." He was also instrumental in getting "The Deer Hunter" properly released.

Carr describes himself as the Candide of show business. He is very shrewd, too plump and disarming to be thought a threat. He loves giving parties: the two most famous are the one he gave for Truman Capote in a Los Angeles jail and what became known as Carr's Rolodex party, which was two identical parties on successive nights, the first for friends from A to M, the second from M to Z. "People called up to tell me their maiden names or their real names to come back the second night," Carr says.

"I hide behind the party facade, where it's not threatening if they think you're too smart," he adds.

The opening night party for "La Cage aux Folles" was in the lobby of the Pan Am building (Pan Am has gratefully named one of its Clippers after the Cage). For the London opening, Carr would like a bash on the order of the marriage of the Prince and Princess of Wales — "Something the whole city could feel part of; people get a lift when something big happens even if they're not a part of it," he says.

Turning Broadway into the gay white way has been exhilarating for Carr but also rough. "I discovered the greed and avarice of Broadway are more than Hollywood's," Carr says. "In California, anyone can get work. In New York there's so little work that it's really competitive. 'Californians are very insecure. New Yorkers are miserable because they all live within the radius of the Russian Tea Room, they're always humping into themselves,' Carr says. And New Yorkers are always telling each other everything, which is why no one is finally sure whose idea is whose and there are so many counterclaims about who really thought of 'A Chorus Line' first."

"In California they don't tell each other anything because they're afraid it will end up as a 'Love Boat' episode," Carr says. He is still in the film business — two films that he has produced will shortly be out — but being the producer of a Broadway hit is his idea of an apotheosis.

"It gives people something they don't have — this is what entertainment is all about. Somebody has to be making magic. All you see is producers complaining about alimony. How about saying how beautiful something is?"

Everything is beautiful to Carr. He knew it would be from the day, before the opening of "La Cage aux Folles" when he was in Bloomingdale's, goggling at the caviar prices. While he was hesitating, a bus carrying an advertisement for "La Cage" went past the window. "Buy the beluga," said the salesgirl, "it's sure to be a big hit." He did it and it was.

## MARY BLUME

ranged from Ann-Margret to Rosalind Russell, and co-author and co-producer of "Grease," the third-largest grossing film in movie history. All of this was heady stuff, but a Broadway hit is somehow more authentic than Hollywood glitz. Carr has arrived.

"I had my picture in The New York Times for the first time," he says, curling up in a Ritz peignoir on a sofa. "On the society page." Since the opening of "La Cage aux Folles" he has also discovered that he has a million new friends.

"Yeah," he says. "It's called house seats." (The person in charge of house seats for "La Cage aux Folles" is hidden in a safe house and can only be reached by secret code.)

"When you know you're going to be a serious producer, you move your furniture to New York," Carr says. He is very serious indeed because a lot of his furniture is marble and very costly to move. It's a relief, he says, to get out of Hollywood, where "you live your life for the indoor plant man, the outdoor plant man, the Jacuzzi man, the pool man." He'll keep a couple of California houses anyway.

"I'm the Elizabeth Taylor of houses," he says. He also has a house in Hawaii and one in New York and has stormy relationships with them all. "Right now I'm estranged from my Malibu house," he says.

Carr was in Europe to see about the London production of "La Cage aux Folles" and to visit with Jean Poiret, author and co-star of the original Paris farce. Poiret intends to translate the Broadway musical back into French.

"He speaks no English except 'Hello, I love you.' And with those royalties he should," Carr says.

The road to the biggest blockbuster in Broadway history — in one day the box office took in \$250,000 in sales — began in 1976 when Carr saw Poiret's play in Paris and decided to produce it. "I am very serious and very rich," he explained to Poiret's agent, but still it took three years to get the musical rights, for \$109,000. At the time, Carr was told that French film rights to "La Cage" had been sold but he didn't pay attention.

"No French picture except 'Cousin Cousine' had done more than \$800,000 in the U.S., we figured no one would see the film."

Everyone did see the film, and its success, along with such recent hits as "Tootsie," may have helped prepare for Broadway's cheering acceptance of the story of a middle-aged homosexual couple. A lot of high-minded tosh has been written about the new tolerance and about the cheers that greet the transvestite member of the couple when he sings a song called, "I Am What I Am," a somewhat-redundant philosophy already enunciated by that great sage Popeye. Carr considers the play good entertainment and doesn't make heavy weather of its significance in homosexual liberation except to remark that it does more good than a bunch of guys marching down the street in leather dresses.

As a teenager, Carr used to winter with his parents at the Roney Plaza Hotel in Miami, where he would chat with a pesty-faced old man who turned out to be Walter Winchell, the Broadway columnist. Winchell

# Auden, an Honored Guest

by Alan Levy

VIENNA — Publishing moves slowly in Austria, so not until he had spent 15 summers in the Vienna Woods village of Kirchstetten (population 800) was Wystan Hugh Auden, at age 66, published in collected form in the German language. In the fall of 1973, the Europaverlag issued a sleek, silvery volume called "Gedichte/Poems" with German and English versions, on facing pages, of 50 Auden works. Fourteen translators were represented.

To celebrate W.H. Auden's emergence in Germany, the Austrian Society for Literature sponsored a poetry reading — by Auden and a Burghausen actor, Achim Benning — in the baroque Palffy Palace in downtown Vienna, an hour's ride from Kirchstetten, where Auden and Chester Kallman shared a farmhouse every April through October. (Kallman wintered in Greece, Auden on St. Mark's Place in Manhattan, before moving to Christ Church, Oxford, in his native England, the year before.)

The reading, on a Friday evening 10 years ago this week, attracted some 200 persons. It began a few minutes late because Auden, staying at the Hotel Altenburgerhof, a 5-minute stroll away, needed 20 minutes for the walk. Huffing and puffing all the way, he climbed the palace stairs with some difficulty and, shorter of breath than ever, promptly lit a cigarette. Then Auden and Benning, who would read first in German, entered and took seats behind a desk on a dais.

Auden, who always wore his body rather carelessly, looked as if he had slept in his suit for a week. His tie was to one side, his jacket unbuttoned, and his shirt didn't quite connect with his trousers in front, so a bit of bare paunch hung out. He bowed to the many women present and then proceeded to ignore the audience for the next half hour.

During that time, while Auden sat rummaging through his own volumes in English, Benning read more than a dozen Auden poems, in German, including his 1939 lament for "The Unknown Citizen" in a bureaucratic society (ending "When there was peace, he was for peace; when there was war, he was for war"; a more recent "Dogged by a Senior Citizen" ("Our earth in 1969/Is not the planet I call mine"); and "Old People's Home," a rueful journey to an invalid friend by an aging Auden who remembered when "weekend visits were a presumptive joy, not a good work."

As soon as the actor was done, Auden, without standing up, announced his intentions: "I'll take some which have been read" and do them in English to begin his part of the program.

Passive for that first half-hour, Auden had seemed much older than 66; his face, once described as "grooved and rutted like a relief map of the Balkans," had indeed looked, as he once put it, as if "it had been left out in the rain" too long. But now, through the creases and furrows came a young man's voice and a radiance reminiscent of photographs of the early Auden. He read, sipping every now and then from a glass of water, drooling a little and dabbing at his mouth with a soiled handkerchief. Auden began with his "Elegy" to Emma Elstermann, his late housekeeper in Kirchstetten, which began in German with a burst of outraged grief that meant "Dear Emma, now what have you gone and done?" and went on:

You who always made  
such conscience of our comfort  
Oh, how could you go and die.

Then he read his "Lines to Dr. Walter Birk on His Retiring From General Practice" in Kirchstetten — prefacing it, in German that drew applause, with "Thank God we've got a new general practitioner!" and adding, in German that drew laughter, "Please be hopeful." Next, another dialogue with the dead, "Joseph Weinheber (1892-1945)," a lament for an Austrian poet who might have been a neighbor if he hadn't taken his life when the Russian Army approached Kirchstetten in the last days of World War II.

Reading haltingly, still out of breath despite the vigor in his voice, Auden stirred words like "nutrative" and "Parchling." But overall it was a fine performance. Usually, Auden's readings were dry, urbane and proper — thereby robbing certain poems of their bawny vitality and draining the passion they had on the printed page. Even in his undergraduate days at Oxford, his friend Stephen Spender has noted, Auden recited poetry by heart in an almost toneless, unemotional voice which submerged the intellectual meaning under the level horizontal line of the words. Auden had strong ideas about reading poetry: the reader should respect line endings, respond to the underlying rhythms of a poem, and care intensely about the shape of every word — not all of which enhanced the impact of an evening.

This night in Vienna, however, everyone agreed that Auden had seldom sounded so dramatic and vital.

At the end, there was a burst of applause, but Auden cut it short with "I'd like to finish with two clerihews." After explaining that Clerihew was the middle name of E.C. Bentley (1875-1956), the inventor of this verse form — four lines, preferably irregular in length, rhymed A-A-B-B



W. H. Auden.

and always having a first line ending with a proper name — Auden read one about Goethe and concluded with another about how:

When the young Kant  
Was told to kiss his aunt,  
He obeyed the Categorical Must,  
But only just.

He left them laughing and, after 45 seconds of hearty applause, he stood up and adjourned to an anteroom. There, he signed a few autographs with obvious distaste and told some well-wishers that he was looking forward to an imminent return to the United States on a lecture tour: "You see, I have to earn some money."

An official of his German publisher had called a cab and there was a little flurry of indignation over the guest of honor's going back to his hotel in a taxi. Somebody offered to drive Auden home. "That's very nice of you," he said, "but the cab's already been called."

The Hotel Altenburgerhof on the Walfischgasse was a favorite Auden-Kallman hideaway between the Vienna State Opera, which they frequented, and the Moulin Rouge night club, which they didn't. (Today the hotel is gone.) Kallman had come to town from Kirchstetten too, but instead of attending the reading, had gone to the opera. Returning to the hotel, Kallman ascertained that Auden was already in and then went to his own room.

In the morning, when Auden didn't come down to breakfast and didn't respond to Kallman's phoning or knocking, the management broke down the door and found Auden dead in bed.

His brother, Dr. John Bicknell Auden — a famous mountain climber to whom Auden's and Christopher Isherwood's play, "The Ascent of F6," is dedicated — flew in from London and told the press that the poet had been suffering from heart trouble, which is what the Viennese autopsy said he died of during the night of Sept. 28-29, 1973. His epitaph Cyril Connolly had written seven years earlier: "Auden was for so many of us the last poet we learned by heart."

Copyright 1983 by Alan Levy, adapted from his book "W.H. Auden: In the Autumn of the Age of Anxiety" published this month by The Permanent Press, Sag Harbor, New York.

Poetry quoted from "The Collected Poems of W.H. Auden," edited by Edward Mendelson, published by Faber and Faber, London, and Random House, New York.

Continued on page 6



## TRAVEL

Bonded by Karsh *Continued from page 5*

dio in Mitterand's attic study on the Left Bank. "But the problem disappeared as soon as we started talking, and afterward he walked down three flights to give me a piece of antique pottery because we had discussed my passion for archaeology." This is that special rapport that Karsh compares to the patient's trust in his doctor.

The simile reflects the passion for medicine that has marked many phases of Karsh's life. Born an Armenian in Turkey on Dec. 23, 1908, he and his family fled persecution in 1922, moving to Syria. In 1924 Karsh was sent to an uncle in Canada—arriving in ship's steerage on New Year's Eve "with only good manners" and the desire to become a doctor.

Too poor and undereducated to study medicine, he was informally apprenticed to another Armenian, John Garo, a portrait photographer in Boston, for whom he worked for three years before setting up his first studio, in Ottawa, in 1931. Karsh remembers Garo as a generous-spirited figure who devoured the arts and personified, good conversation and good living in equal proportions. "There I set my heart on photographing those men and women who leave their mark on the world," he writes.

Karsh mixed the bathtub gin disguised as darkroom chemicals and absorbed his mentor's passion for the arts. "Anyone can be a photographer," Karsh says, but to be good, "you must be a student of literature, music, geography, the human spirit."

Or of the medical arts—he speaks of "operating" on famous people with his lights and lens, his photographs of children with muscular dystrophy are used as fund-raising stamps for research into the disease, his friends include Dr. Michael De Bakey, the open-heart specialist, and physicians figure prominently among Karsh's sitters. A photographic session with a Chicago medical columnist after the 1960 death of his wife, Solange, brought him in touch with Estrellita Nachbar, the medical writer who is today his wife and informal impresario.

Now a celebrity himself, he and Estrellita are often the guests of those whom he has photographed. What do celebrated people like to talk about with him? "They want to talk about other famous people I've photographed," Karsh says in the cultivated tones he has kept from his London days. Estrellita is pithier: "Celebrities are more star-struck than anyone."

Anyone, perhaps, except Karsh, despite his feeling that "we are living now in an era of anti-heroes" that produces fewer subjects for his lens. If there are few fewer Karsh photographs to match his great postwar portraits, the changing times have thrown his work into new relief. These days, Michel Tournier writes in the French edition of the new book, television



Yousuf Karsh, a self-portrait.

tends to trivialize people's faces, but Karsh's portraits preserve them. Karsh's technique—using an 8-by-10 plate camera and a vast array of lights—bestows a solitary dignity, detaching a person from his surroundings and magnifying his physical texture. The effect, Tournier says, remains in the viewer's subconscious long after other pictures have been forgotten.

Some Karsh photographs remain familiar in surprising ways: The movie director Steven Spielberg says that the features of E.T. were drawn from Karsh portraits—a combination of Einstein's serenity, Steinbeck's curiosity and Carl Sandburg's visionary quality.

Discussing these faces, Karsh mentions his famous photograph of Pablo Casals seen from behind, cradling his cello in a cell-like stone

chamber in the Abbey de Cuxa in Prades, France. "I have never photographed anyone, before or since, with his back to the camera," Karsh says, "but when I went into that abbey under restoration, where Casals was playing Bach, it seemed to me just right. For me, the bare room conveys the loneliness of the artist, at the pinnacle of his art, and also the loneliness of the exile."

The photograph evokes one of his proudest stories, about an elderly man who returned repeatedly to a museum to gaze at the portrait of Casals. Finally the curator approached the visitor and asked why he so often stared at the same picture.

"Hush, young man, hush—can't you see, I'm listening to the music?"

## In the Ancient Cradle of Wushu

by Christopher Wren

**D**ENGFEUNG, China—The vivid frescoes seen studding in a 1,500-year-old Buddhist temple. On one wall, monks fight with feet and clenched fists in a cloistered garden. On the opposite wall, more monks spar with swords, staves, cudgels and other ancient weapons. The stones of an adjacent hall have been stamped down into 48 indentations, a legacy of centuries of practice in the martial arts that have left the floor pitted up to 7 inches deep.

Shaolin Monastery, nestled on the barren slopes of Song Mountain in central China's Henan Province, was the home of Chan Buddhism, a Chinese sect that gave rise to Zen Buddhism in Japan. But it is even better known as the cradle of wushu, an ancient fighting skill that has evolved into Chinese kung fu and influenced Japanese karate and Korean taekwondo.

During the Tang Dynasty 13 centuries ago, the monastery had 500 fighting monks, along with 1,000 working monks who filled several thousand acres of communal farmland. The monastery then fell on hard days. It was burned three times, most recently in 1928 during a struggle between rival warlords. It was razed during the Cultural Revolution, and its remaining monks were dispersed to secular labor. Several years ago, Shaolin Monastery reopened and now has 20 monks ranging in age from 16 to 76 years.

The revival of historical interest in Shaolin Monastery is ironically the result of the popularity of China's first kung-fu movie, "Shaolin Temple" (Buddhist monasteries in China are usually called temples). The film, shot on location, followed the formula of revenge and mayhem that has been a staple of the Hong Kong film industry.

The monastery's reputation derives from an incident in 618, when the Tang Dynasty Emperor Li Shimin, hearing of the martial arts developed at Shaolin Monastery, appealed for help in defeating Prince Zheng in a battle at nearby Luoyang, then the imperial capital. Thirteen warrior monks who responded to the emperor's call helped win the victory, opening the way for the unification of China. (With a license that Hollywood might envy, the movie had the monks winning the campaign by themselves.)

The introduction of fighting skills at Shaolin Monastery has been attributed in legend to the Indian monk Bodhidharma, who went to the monastery in 527, three decades after it was founded by Batuo, another Indian monk. Bodhidharma allegedly spent nine years in contemplation, facing the wall of a cave on Song Mountain above the monastery. For exercise and protection from wild animals, he taught

himself self-defense and later passed the skills along to his disciples.

Actually, the ancient martial arts probably originated even earlier, as Buddhist monks learned to fend off brigands and other predators. Variations of their refined techniques subsequently reached Japan, Okinawa, Korea and other Asian countries that developed distinct fighting styles.

Chinese wushu goes well beyond the "empty-hand" fighting of the more familiar karate or Japan or taekwondo of Korea because it incorporates 18 ancient weapons, such as 9-sectioned chains, hinged sticks, staves and swords. Chinese wushu, like the more contemporary kung fu, has no belt gradings but can take up to 10 years to master. It is taught in China for physical exercise and health rather than self-defense. The best known of its styles is taijiquan, called tai chi in the West, which has been vastly slowed down to emphasize flexibility and serenity.

Shaolin Monastery has become a tourist attraction, with the government allocating more than the equivalent of \$1.6 million for its restoration. The monastery, a few miles from the county seat of Dengfeng, is about four hours by car or tour bus from Henan's provincial capital of Zhengzhou, itself an overnight train ride from Beijing, 400 miles to the north. The monastery can also be reached from Luoyang.

The monastery is entered through its elevated "moon gate," reached by a flight of 16 broad stone stairs. Under the curved tile roof hangs an elegant gold-leaf inscription with the three Chinese characters for Shaolin Temple, written in the 18th century by the Qing Dynasty's Kangxi emperor. Stately cypress and ginkgo trees planted by the monks centuries ago rise above the reddish walls.

More than a dozen buildings, including the Heavenly King (Tianwang) Hall and a library of Buddhist scriptures, were destroyed by the warlord Shi Youan during the civil fighting in 1928. It was said that the monastery burned for 45 days.

Fortunately, the last row of buildings inside the monastery was not destroyed. The largest is the Hall of a Thousand Buddhas, in traditional red brick with a curved blue-gray tile roof. It contains what are regarded as the finest surviving frescoes in China, painted during the Ming dynasty, covering more than 3,000 feet of wall. They show in intricate detail 500 arhats, or Buddhist saints, worshipping Buddha amid clusters of billowing clouds. No two faces or figures look alike.

A martial-arts enthusiast may be more intrigued by the green brick floor, with its 48 indentations in a 4 by 12 grid, which were formed over the centuries, when the monks learned to strengthen their fighting stance by pressing their feet down on the bricks. Nearby, a rack of

weapons holds a vicious-looking collection of spears, halberds and tridents.

To the east is the White Robe (Baiyi) Hall with its equally famous frescoes of the martial arts, only slightly damaged by graffiti and wear. Along the southern wall, 34 monks in colorful open jackets, sleeves rolled up, spar in bare-fisted pairs before a small but intense audience of scholars and spectators. On the northern wall, other monks show off their skills with the 18 ancient weapons.

Another wall fresco depicts the 13 warrior monks coming to the aid of the Tang emperor. There are additional frescoes of a bare-handed monk subduing a dragon and a tiger. The origin of the art is obscure. The robes and pigtails of the onlookers suggest that the frescoes were painted early in the Qing Dynasty, which overthrew the Ming emperor in 1644 and was itself finally toppled in 1911.

Shaolin's monks today go about their duties with shaved heads and coarse gray robes, oblivious to the stream of tourists. But they also have tales to tell. Fu Yim, now in his 60s, recalled how the monastery had 500 monks when he joined as a child novice in 1930. In those days, he said, the monks practiced wushu six hours a day as a respite from meditation. "The basic lessons in wushu were to keep us fit," Fu Yim said. He was forced to go home to work as a farmer in 1949 but returned after the Communist authorities adopted a greater tolerance for religious belief after the repressive Cultural Revolution.

To the disappointment of many visitors, the monks no longer perform wushu. "I can still play but not very well," Fu Yim confessed. "To be good at wushu, you must be obedient and willing to bear suffering and hardship." Ciman Qing, a 24-year-old monk from eastern China, said he was not interested in wushu because "it is very hard to do." For the monks, who rise at 3 or 4 A.M. and subsist on vegetables and rice, life is not much more glamorous than that in other Buddhist monasteries in Asia.

Shaolin's traditional martial arts are being preserved at the nearby town of Dengfeng, where a sports school specializing in wushu opened two years ago. Its 140 or so pupils practice wushu every afternoon following their academic classes. The pupils, some of whom are 10 or 11 years old, frequently stage fighting displays for foreign tourists on the packed dirt of their outdoor practice field.

Visitors to China do not have to travel all the way to Shaolin Monastery to see wushu. In any major Chinese city, simply rise at dawn and head for the local park, where some young people practice before going off to jobs or classes. In Shanghai, for example, there is early morning wushu practice along the Bund, or waterfront promenade. Just head for the clatter of swords and staves.

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## OCTOBER CALENDAR

## AUSTRIA

VIENNA, Konzerthaus (tel. 72.12.11). CONCERTS—Oct. 13: BBC Philharmonic Orchestra, Wilfried Finkbeiner conductor, Raphael Wallfisch cello (Hindemith, Bruckner). Oct. 18: Albus Berg Quartet (Mozart, Beethoven, Schubert). POP—Oct. 10: John Denver.

## COMING OCTOBER 13

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Inelocation Towards 'Gesamtkunstwerk': European Utopia Since 1800.  
RECITALS—Oct. 10 and 11: Elisabeth Leonskaja piano (Schubert, Chopin).  
Oct. 23: Christian Altenburger violin, Bruno Canino piano (Beethoven, Elman, Grieg).  
Museum—Modernist Kunst (Bach).  
EXHIBITION—To Nov. 13: 'The

Oct. 4: Claudio Arrau piano.  
Oct. 9: Harry Belafonte.  
International Jazz Montmartre (tel. 14.65.7).  
Oct. 18: Chick Corea and Gary Burton.  
Oct. 27: Carla Bley Band.  
Museum of Decorative Art (tel. 14.94.52).  
EXHIBITIONS—To Oct. 23: 'Bauhaus-Dessau' (R. Strauss).  
Oct. 23: 'Ensemble', dress decorations.  
Oct. 23: 'Fellow Palace' (tel. 14.12.22).  
Oct. 19: Sealand Symphony Orchestra, Walter Wellmer conductor (Janaack, Wagner, Prokofiev).  
Radio House (tel. 11.14.15).  
Radio Symphony Orchestra and Choir.  
Oct. 6: Paolo Berglund conductor (Beethoven, Schubert).  
Oct. 20 and 21: John Frandson conductor (Tart, Beethoven, Brahms).  
Oct. 27: Arturo Tamayo conductor (Lisinsky, Shostakovich, Varste, Humler).  
HUMBLER, Louisiana Museum of Modern Art (tel. 19.07.19).  
EXHIBITIONS—To Oct. 2: 'German Expressionism—Two Generations'.  
To Oct. 23: 'Carl-Henning Pedersen: The King Years'.  
Oct. 15-Jan. 8: René Magritte.

## BELGIUM

ANTWERP, Koninklijke Vlaamse Opera (tel. 233.66.55).  
Oct. 15, 21, 23: 'Il Barbiere di Siviglia' (Rossini) Gerhard Fackler conductor.  
Oct. 29: 'Salome' (R. Strauss) Sylvester van den Broeck conductor.  
BRUSSELS, Palais des Beaux-Arts (tel. 512.50.45).  
CHAMBER CONCERTS—Oct. 20: The American Chamber Symphony, Robert Frisbie conductor, Marielle Nordmann harp (Weber, Beethoven).  
CONCERTS—Oct. 13: Belgian National Orchestra, Georges Oesters conductor, Isabelle Flory violin (Kazant, Chausson, Saint-Saëns, Ravel).  
Oct. 26: Stuttgart's Württemberg State Orchestra, Dennis Russell Davies conductor, Alfred Brendel piano (Wagner, Schoenberg, Liszt, Bartok).  
Oct. 29: National Opera Symphony Orchestra, Sylvain Cambreling conductor, Martina Arroyo soprano (Beethoven, Zemlinsky).  
RECITALS—Oct. 4: José van Dam baritone.  
Oct. 25: Emil and Elena Guillea piano.

## DENMARK

COPENHAGEN, Falkoner Teatret (tel. 86.85.01).

## HYATT REGENCY NICE

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## HYATT HOTELS

Petipa and Lev Ivanov choreography. Oct. 15, 19, 24, 27: 'Manon' (Massenet) Kenneth MacMillan choreography.  
Royal Opera—Oct. 1 and 5: 'La clemenza di Tito' (Mozart) Ivan Fischer conductor.  
Oct. 3, 8, 11, 14, 18: 'Werther' (Massenet) Jacques Delacoste conductor.  
Oct. 31: 'Boris Godunov' (Mussorgsky) Claudio Abbado conductor.  
Tate Gallery (tel. 821.13.13).  
EXHIBITION—To Oct. 23: 'New Art at the Tate Gallery'.  
Victoria and Albert Museum (tel. 589.63.71).  
EXHIBITION—To Nov. 6: 'Artists of the Twentieth Century: The Museum Redivivus' (1920-1920).  
Wigmore Hall (tel. 935.21.41).  
Oct. 1: Nash Ensemble (Dvorak, Simon, Holst, Smetana, Janacek).  
Oct. 19: Franz Schubert Quartet (Mozart, Schumann, Bartok).

## FRANCE

PARIS, Centre Georges Pompidou (tel. 277.12.33).  
EXHIBITIONS—To Nov. 27: 'Lucas Samaras', photography.  
To Oct. 23: 'Jan Saudek', photography.

Oct. 7-23: 'Environnement Video by Claude Torrey'.  
Oct. 13-Dec. 12: 'Twentieth Century Czech Design'.

Oct. 26-Jan. 2: Calder mobiles.  
Oct. 27-Jan. 2: 'Richard Serra', sculpture.

Oct. 27-Jan. 2: 'François Rouan', paintings.  
Goethe Institut (tel. 723.61.21).

EXHIBITION—To Dec. 14: 'Images and Profiles', Jean Cocteau.  
Museum of Arts Decoratives (tel. 260.32.14).

EXHIBITION—To Dec. 14: 'L'Expo des Espaces'.

Musée d'Art Moderne de la Ville de Paris (tel. 47.61.27).  
EXHIBITION—From Oct. 4: 'An other Continent, Australia: The Dream and the Reality'.

Musée Carnavalet (tel. 272.21.13).  
EXHIBITION—To Nov. 6: 'Gustave Doré Illustrations' (1830-1833).

Musée de la Ville de Paris (tel. 265.12.75).  
EXHIBITION—From Oct. 25: 'Au pays de Beal et d'Assar'.

New Morning (tel. 523.36.39).  
JAZZ—Oct. 11, 12, 28, 29: Eddy Louiss Septet.

Oct. 13 and 14: Beaver Harris, Francis Hayman Quartet.

Oct. 25 and 27: Ensemble Orchestral de Paris, Hovhannes Biss conductor (Haydn, Mozart, Strauss).

Salle Pleyel (tel. 563.07.96).  
Orchestra de Paris—Oct. 5: Matthias Bammer conductor, Groupe Vocal de France (Weber, Schoenberg).

Oct. 11: Vladimir Ashkenazy and Daniel Barenboim piano (Mendelssohn, Debussy, Sagan, Stravinsky).  
Oct. 12 and 13: Daniel Barenboim conductor, Vladimir Ashkenazy piano (Glinka, Prokofiev, Tchaikovsky).

Oct. 14: Daniel Barenboim conductor, Vladimir Ashkenazy piano (Beethoven, Liszt, Bartok).

Oct. 19-21: Daniel Barenboim conductor and piano, Claude Bardou conductor (Beethoven, Schumann).  
RECITAL—Oct. 25: Rudolf Serkin

Théâtre Musical de Paris (tel. 233.44.44).  
CONCERTS—Oct. 12: Orchestra de l'E de France, Jacques Moncier conductor (Glinka, Mussorgsky, Borodin).  
Oct. 17: Stuttgart Radio Orchestra,

Karl Münchinger conductor (Schumann, Schubert, Beethoven).  
Oct. 24: Orchestra de Chambéry et de la Savoie, Claire Gibault conductor; Barbara Hendricks soprano (Mozart, Barber).  
Oct. 26: Astor Piazzolla and His Quintet (tango music).  
DANCE—Oct. 1 and 2: New York City Ballet.  
Oct. 24-26: Netherlands Dance Theater.  
Oct. 16-23: French Ballet Theater of Nancy.  
JAZZ—Oct. 28: Antoine Hervé Big Band, Wynton Marsalis Quartet.  
Oct. 29: Modern Jazz Quartet.  
Oct. 30: Chick Corea and Gary Burton conductor, Chick Corea, Bob and the Klezmer Vardim.  
Four on the Floor (Darius).  
Ensemble Intercontemporain, Pierre Boulez conductor.  
Théâtre de Paris (tel. 874.10.75).  
DANCE—Oct. 5-7: Antonio Gades Ballet.

## GERMANY

BERLIN, Berlio Museum (tel. 251.40.15).  
EXHIBITION—'Gottfried Schadow und der Künstler Verein'.

Deutsche Oper Berlin (tel. 341.44.49).  
OPERA—Oct. 1, 4, 7, 11, 14, 22: 'Die Soldaten' (Zimmermann) Lothar Zagrobnick conductor.

Oct. 26-Jan. 2: Calder mobiles.  
Oct. 27-Jan. 2: 'Richard Serra', sculpture.

Oct. 27-Jan. 2: 'François Rouan', paintings.  
Goethe Institut (tel. 723.61.21).

EXHIBITION—To Dec. 14: 'Images and Profiles', Jean Cocteau.  
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EXHIBITION—From Oct. 25: 'Au pays de Beal et d'Assar'.

New Morning (tel. 523.36.39).  
JAZZ—Oct. 11, 12, 28, 29: Eddy Louiss Septet.

Oct. 13 and 14: Beaver Harris, Francis Hayman Quartet.

Oct. 25 and 27: Ensemble Orchestral de Paris, Hovhannes Biss conductor (Haydn, Mozart, Strauss).

Salle Pleyel (tel. 563.07.96).  
Orchestra de Paris—Oct. 5: Matthias Bammer conductor, Groupe Vocal de France (Weber, Schoenberg).

Oct. 11: Vladimir Ashkenazy and Daniel Barenboim piano (Mendelssohn, Debussy, Sagan, Stravinsky).  
Oct. 12 and 13: Daniel Barenboim conductor, Vladimir Ashkenazy piano (Glinka, Prokofiev, Tchaikovsky).

Oct. 14: Daniel Barenboim conductor, Vladimir Ashkenazy piano (Beethoven, Liszt, Bartok).

Oct. 19-21: Daniel Barenboim conductor and piano, Claude Bardou conductor (Beethoven, Schumann).  
RECITAL—Oct. 25: Rudolf Serkin

Théâtre Musical de Paris (tel. 233.44.44).  
CONCERTS—Oct. 12: Orchestra de l'E de France, Jacques Moncier conductor (Glinka, Mussorgsky, Borodin).  
Oct. 17: Stuttgart Radio Orchestra,

Chorus, Henry Shek music director, Zhao Jiani soprano.  
Oct. 21 and 22: Japanese Federation of Drum Groups (traditional and contemporary Japanese drum and dance performances).  
THEATRE HALL—Oct. 30 and 31: Don Burrows Sydney Conservatorium Jazz Ensemble, Australia.  
Queen Elizabeth Stadium (tel. 467.45.70).  
DANCE—Oct. 26 and 27: 'East Wind' Sardono Theatre from Indonesia, Sardono Kusumo director.

## ITALY

BOLOGNA, Galleria d'Arte Moderna (tel. 277.12.33).  
EXHIBITION—To Oct. 17: '56 Group Wales'.

Teatro Comunale (tel. 22.29.99).  
CONCERTS—Oct. 1, 2, 7: Eishu

l'abal conductor (Mahler).  
Oct. 13, 15, 18: Andrey Markovitsky conductor (Prokofiev, Scriabin).

Oct. 20 and 21: A. Dunić conductor, V. Kravtsov piano (Rachmaninoff).  
Oct. 22, 23, 25: Gabor Utassy conductor (R. Strauss).

Oct. 29: Karl Martin conductor, Michele Campanella piano (Brahms, Dvorak).  
FLORENCE, Teatro Verdi (tel. 21.62.53).

CONCERT—Oct. 10: Kirov Orchestra of Leningrad, Yuri Temirkanov conductor, Mikhail Pletnev piano (Tchaikovsky, Rachmaninoff).  
RECITAL—Oct. 11: Svetoslav Richter piano (Rachmaninoff, Tchaikovsky).

Oct. 20: Ivo Pogorelec piano (Haydn, Ravel, Prokofiev).  
MILAN, Accademia di Brera Aula Magna (tel. 27.28.28).

EXHIBITION—To Oct. 9: 'David Hockney Photographs'.

Padiglione d'Arte Contemporanea di Milano (tel. 78.46.88).  
EXHIBITION—To Oct. 10: 'Emigration After Nature', Henri Cartier-Bresson photography.

Teatro alla Scala (tel. 887.92.11).  
CONCERTS—Oct. 5: Carlo Maria Giulini conductor, Maurizio Pollini piano (Beethoven).

Oct. 12-15: Sylvain Cambreling conductor, Nikita Magaloff piano (Mendelssohn, Beethoven, R. Strauss).  
Andellio flute (Stravinsky, Schoenberg).

Oct. 19-21: Adam Fischer conductor, Yumiko Higashino violin (Mendelssohn, Beethoven, R. Strauss).  
Oct. 26-28: Walter Wellmer conductor, Natalia Gutman cello (Schumann, Bruckner).

## JAPAN

TOKYO, Budokan (tel. 045/251.18.61).  
JAZZ—Oct. 3 and 4: George Benson. Japan Folk Art Museum (tel. 467.45.70).

EXHIBITIONS—To Dec. 18: 'Woodblock Prints by Shiko Munakata'.

'Old Photographs from Tamba Province'.

Kanagawa Kenmin Hall (tel. 045/251.18.61).  
JAZZ—Oct. 9: George Benson.

Saitama Museum of Art (tel. 470.10.73).  
EXHIBITION—To Oct. 10: 'Beauty of Wabi', featuring rare craftsworks made from Japanese paper from Tenryo to Edo era.

## NETHERLANDS

AMSTERDAM, Concertgebouw (tel. 71.98.71).  
CHAMBER MUSIC—Oct. 8: Netherlands Chamber Orchestra, Kees Bakels conductor, Elly Ameling soprano (Vivaldi, Beethoven, Shostakovich, Mozart).

CONCERTS—Oct. 4: Amsterdam Philharmonic, Christian Bades conductor, Alexander Slobodjankin piano (Beethoven, Wagner, Chopin, Bartok).  
Oct. 5 and 6: Concertgebouw Orchestra, Bernard Haitink conductor, Maria

Bwing mezzo-soprano, Neil Rosenhein tenor, Jules Bastin bass, Henk Sant baritone (Berlioz).



TRAVEL

# It's an Old Swiss Customs

by Mavis Guinard

LUGANO, Switzerland — After a hand-blistering row across a Swiss-Italian lake, the young lovers of "A Farewell to Arms" took refuge from World War I in Switzerland. The customs people did not give them a bad time: "They questioned us but they were polite because we had passports and money," said Ernest Hemingway wrote, "I do not think they believed a word of the story."

Probably not. Hemingway pinpointed one role of a Swiss customs official: to admit the well-heeled tourist or refugee while screening out undesirable. With 1,000 miles of lake and mountain borders to patrol besides the usual rail, road, air and postal entry points, 4,000 Swiss customs officers usually catch what they are after, while bringing in a third of the country's revenue.

Right now, they are cracking down on drug offenders. Drug seizures went from 25 in 1970 to 1,378 last year, while the price of heroin climbed to \$5 Swiss francs (about \$12) a gram on the Zurich market and the number of drug-related deaths among youths mounted. The focus on the battle against the international drug traffic is evident in a special exhibit at the Swiss Customs Museum, the Museo Doganale Svizzera, on Lake Lugano.

If the uniformed people on the ground floor seem oddly stiff — even for the Swiss — they are only dressmaker's dummies posed in the daily chores of a customs outpost early in the century. This nice choice of period allows the museum, perched on the steep shore of Monte Bre, to bring out rustic furnishings and such paraphernalia as vintage typewriters and brass scales. In the offices, a prettily costumed smuggler has been caught in the act. In the living quarters, red-checked tablecloths and quilts,

copper pots and polenta cooking in the fireplace give the place a homey look.

Upstairs, travelers who think they can beat the customs police with a novel hiding place may become discouraged. Showcases display many of the tricks the police have spotted: heels hollowed to hide jewels, books cut out to store banknotes and — lately — hideous bazaar items to conceal drugs. The gray-suited officials are taught all these subtleties and more in the customs school at Liestal. "They are taught not only to be observant, but to use their imagination," as one official explains.

They certainly need such training when smugglers resort to a pocket submarine. After a World War II career shuttling rice and salami across the lake against Swiss chocolate and cigarettes for the return trip, the minisub was given a place of honor on the terrace of the museum. Such ingenuity was sneaking sympathy from the visitor, although a display of such smuggler's weapons as hand syringes and sawed-off shotguns under the photographs of 35 young men killed or injured on border duty turns it off.

Another exhibit shows equipment taken from interned soldiers, ranging from a tasseled Sardinian army saber to a GI's steel helmet. German, Italian, Russian, English, American, French and Czech gear rest together in a neutral showcase.

The Museo Doganale, which is open from 2 to 5 P.M. each day until Oct. 15 and then closes until late March, can be reached only by boat. One leaves at 2 P.M. from the Lugano-Cardano landing, or — in a homages-to-Hemingway mood — a visitor might row across the lake in a hired boat. They say it takes only 20 minutes and no blisters from Gandria, a fishing village. The fringe of land opposite — Contine di Gandria — is used as terraced plots above cool wine cellars and an easy path leads from the museum to typical grotto where a visitor can try a glass of the local Merlot and some goat cheese.

This is one of many easygoing excursions from Lugano, whose main drawing card this year has been the Thyssen-Bornemisza show of "Masterpieces of Impressionism and Post-Impressionism From Soviet Museums" at the Villa Favosina. The show has just been extended to Nov. 15.

Early in October, after the summer rush and the vintage festivities, may be just the right time to see both exhibitions as well as enjoy the Swiss-clean but Italian-flavored atmosphere of this lakeside resort. Lugano is a smiling, resolutely picturesque bit of instant Switzerland gone mildly exotic. Cobblestoned streets weave past vegetable stands to the boutiques under the arcades of the Via Nassa. Ancient stone bank buildings garlanded with geraniums edge the Piazza Riforma. Locals prefer to eat their gelato at noon on the shady side of the square, tourists make for the red parasols of Vanini's pastry shop.

To fill the day, there are land and water sports, excursions to the side valleys, funicular or train rides to vistas at the top of the dome-shaped mountains that plunge into the lake, and well-marked hikes. Terrace restaurants, dance cruises and colored fountains enliven the evenings along with a mild gamble (5-franc limit) at the local casino or a more determined fling at Campione, an Italian enclave that lives well off its no-holds-barred casino.

From Geneva, the train reaches Lugano in six hours and three changes (easy if you check baggage ahead) along Lake Geneva, the Rhone Valley and the spectacular Centovalli. More expensive, a Crossair flight takes 40 minutes with a breathtaking view of the Alps — the Matterhorn in particular — thrown in. From Zurich, a direct train takes a little more than two hours. Further information is available from the Tourist Office, 5 Riva Albertelli, Lugano; tel. (091) 21.46.64.

# Taking Note of the Time in Krakow

by David Storey

KRAKOW, Poland — On the stroke of the hour in Krakow's medieval Market Square, a thin trumpet call sounds from a 14th-century tower next to the Church of the Virgin Mary before ending abruptly on a strangled note.

The same eight-bar tune is repeated three times, just as it is on every hour, day and night, throughout the year — one of the oldest traditions in Poland. Apart from interruptions forced by occupying powers, trumpeters have sounded from the Marian Tower since the Middle Ages, acting as heralds, guards, fire-watchers and timekeepers. Today the performance has become both a national symbol and a tourist attraction.

The tune, whose origin is unknown, is cut short to recall the legend that a bugler was struck by an arrow in the throat as he sounded the alarm to alert Krakow of an attack by Tartar armies in 1241.

Ludwig Skowronek is one of the six trumpet-

ers, who are formally employees of the fire service, which assumed responsibility for the trumpet call after a fire ravaged Krakow in 1850. The 48-year-old Skowronek has been trumpeting from the low-beamed room atop the tower for 18 years. "I like the peace and quiet," he says. "I don't like crowds."

Each hour during his 2-man, 24-hour shift, Skowronek — alerted by the time pips on a portable radio — dons his fireman's cap, picks up his trumpet and walks to a small window that faces south. There he blows the brief call, in the five basic notes of the bugle, toward the cliff-like walls of the old royal castle on Wawel Hill. Ducking beneath huge beams, he crosses to windows facing west, north and east.

The sound rings out over a city that now is decaying through pollution and neglect but that was one of the few places in Poland to survive the Nazi occupation intact. During World War II, the Germans halted the trumpet call, as did invading forces from the Austro-Hungarian Empire during the 19th century.

Every noon, the performance is broadcast live across Poland on state radio, using a con-

ical microphone installed in the tower for that purpose in the 1920s. (The old microphone has become part of the tradition: "It's irreplaceable," Skowronek says.) The trumpet call is also broadcast on shortwave services and is regarded as a symbol of their homeland for Poles abroad or sailors at sea.

Traditionally the post of trumpeter has passed from father to son, as it did with Jan Kolton, 30, who began his job when he was 17. He says he likes the work because each 24-hour shift is followed by two days off. The pay is not special, he says, but the free time gives him, and some of the others, a chance to make more money by moonlighting in a band.

Occasionally, when Krakovians have noticed a somewhat halting or freestyle interpretation of the notes, they tap their necks with two fingers in the traditional Polish gesture to indicate someone has been drinking. Asked about this, the trumpeters look coy. "A lot may depend on the weather," one says. "A heavy frost can leave you with stiff lips."

© 1983 Reuters



The Alhambra in Granada.

# Tales of More Than the Alhambra

by Nick Stouff

GRANADA, Spain — Granada is Spanish for pomegranate, but it is probably only a coincidence that the pomegranate is so abundant in these parts. For the city was christened not by modern Spaniards but by... who knows? Some legends trace it to the mysterious daughters of both Noah (Grana) and Hercules (Granata). The Moors called it Karnatah. Its very name, like most everything else about Granada, is bound up in romantic mystery.

Whatever its origins, Granada today is one of the most fascinating cities in Spain, representing the confluence of Arab and Christian currents. Much of the romanticism began with Washington Irving, the American writer-diplomat who was already famous for Rip Van Winkle and other charming stories when he traveled by horseback through the rugged mountains and monotonous olive groves of Andalusia in the spring of 1829.

He found a home in the Alhambra — the splendid palace of pillars and patios that the Moors left behind when the armies of Ferdinand and Isabella, the Catholic Monarchs, deposed King Boabdil in 1492 — and spent long hours wandering through the gardens, amid the lace-like plasterwork, and dreaming up stories about buried Moorish treasures. His "Tales of the Alhambra," complete with 19th-century Granadinos and their much-older legends and traditions, was an immediate and lasting success.

But Granada fascinates the visitor even without Irving's tales; it is a living museum with four distinct rooms: the magnificent Alhambra, looking out onto the Darro valley; the ancient Albaicin quarter where the Moorish population fled the Christian conquerors; the faded Gypsy quarter of Sacromonte, and, finally, the markets, museums and monuments in the town proper. Granada has been a source of inspiration not only for Washington Irving but also for scores of Spanish artists. The poet Federico Garcia Lorca and the composer Manuel de Falla lived and worked in Granada.

Prevalent in the creations of both are the Sacromonte Gypsies, who continue to populate the hillside caves across the valley from the Alhambra. If today the facades of the caves are glistening in modern whitewash and the interiors updated with televisions and stereos, the age-old passion for song and dance and spontaneous fun among the inhabitants has endured. Nowadays, of course, the Gypsies dance a tourist's tempo, which means only that they know where the money is. To stroll the climbing contour of the Sacromonte cliff at twilight is to savor a pleasant calm before the storm. Straight ahead, a shepherd suddenly emerges from the curve with his flock. On the right, across the valley, the sunset-colored watchtowers of the Alhambra enclose a magnificent sense of kingdom. And on the immediate left, inside the cave-mouths on the steeply rising hill, robust Gypsy women with golden teeth sweep out their windowless living rooms and arrange wicker chairs along the walls for the evening influx of tourists. The storm is definitely approaching; the whitewash is fading in the dusk as disco music floats down from swank establishments high up the hillside.

Soon, a horde of nighttime visitors will disembark from their buses to witness a homemade floor show of swirling skirts (it would be erroneous

to say that the talented performers were dancing anything akin to flamenco). The tourist groups will have paid in advance — enough to give their tour operators an adequate share — while individuals who have been hustled off the street will have bargained their way inside. In both cases, however, the pursuit of the pocketbook continues as the Gypsies peddle their various wares — castanets and wine flasks being among the most popular — amid the continuous hand-clapping, head-pounding, guitar-playing and skirt-swirling. Professional? Certainly not. Entertaining? Absolutely. Whatever the corruptions of commercialism, there remains more than a trace of soul in Sacromonte.

If Sacromonte exudes charm, so does the roadway leading up to it. Along the northern bank of the valley winds the ancient Carrera del Darro, a waist-high stone barrier on one side and a millennium of Granadan architectural treasures on the other. At No. 31 is the 11th-century *Boqueron*, where a little old man with a cane waits in the patio to greet visitors and lead them through the shadowy arches and pillars of the oldest preserved Arab bathhouse in Spain.

Along this road are the convents and churches that sprang from the reconquest. At dusk the street comes aglow with the now-electrified gas lamps and, from the upper stories, the clanging of dishes signals that Granadinos are having their dinner. Several old bridges traverse the valley, with the Alhambra towering high on the opposite side.

The Carrera del Darro forms the outer edge of the Albaicin, the old Arab quarter where the frightened Granadinos fled after the overthrow of Boabdil. Today, the quarter is an affluence maze of narrow streets and whitewashed houses. In the stillness of the siesta-stunned afternoon, children play quietly on the cobblestones while their mothers — beautiful Andalusian women with eyes as dark as their hair — fuss over flowers on wrought-iron balconies.

Even when the rest of the city comes back to life, the Albaicin awakes gently. Much of the family life takes place within the enclosed Arab-style patios that are hidden from public scrutiny.

Not so in central Granada, which has always been bustling with business. The Alcaiceria silk market of the 17th century has become a marketplace of handicrafts — ceramics, woodworks, brassyworks and fabrics — not all of which are junk. (Those who wander elsewhere in the city will surely stumble on the anonymous artisans, diligently at work.) Nearby, on the Calle del Cidre Baja, is an unusual market of herbs and spices. Unusual because the products are identified not by any generic name or trademark, but by the ailment or condition they are meant to cure or enhance. Among the dozens of open bags on display are those labeled *para el diabetes*, *para el sistema nervioso* and *para el pelo* (for hair).

Among the pleasant surprises of Granada is the cathedral of the Catholic Monarchs commissioned in 1523, but which was not completed until the beginning of the 18th century. Because the cathedral is fitted snugly into the highly developed central city, it is almost impossible to perceive its dimensions from the outside. To enter, then, is to go into another world, the wide aisles and tall Corinthian pillars so totally unexpected. Annexed to the cathedral is the Royal Chapel, which the monarchs had built as their burial spot. The tombs of Ferdinand and Isabella are indeed there, as are some of their personal effects.

Having ended seven centuries of Arab occupation of the peninsula by finally conquering the kingdom of Granada, the Catholic Monarchs then agreed to finance Christopher Columbus's voyage to the Americas (they turned him down eight years earlier). The monument in the town center depicts the queen accepting the proposals of Columbus, and with the quincentennial anniversary of this event approaching, there are rumblings among Granadinos about celebrating the occasion by staging the 1992 Winter Olympics in the Sierra Nevada.

One of the great annual celebrations in Granada is the three-week Festival of Dance and Music, with the Alhambra all aglow for a series of late-night concerts and recitals.

This is when the mezzo-soprano Teresa Berganza pours the words and music of Garcia Lorca into the crowded Court of the Myrtles — the well-dressed audience sits next to the evergreen hedges that line its central pond. Or when the Spanish National Orchestra visits the Palace of Carlos V to render Falla's "Nights in the Gardens of Spain" from an open-air patio that is set like a miniature huddle inside a cubic fortress. Or real flamenco in the Generalife Gardens, where the Moorish kings would retreat to escape the pressures of power. Only the most insensitive of visitors could fail to be caught in the spell of it all.

For professional flamenco at other times of the year there are a number of night clubs in the newer part of Granada catering almost exclusively to tourists. One of the most reputable is the Jardines Neptuno with its spacious open-air auditorium. If the show is slick and structured, it does include a potpourri of Andalusian rhythms and dances — from the emotional *cante jondo*, the Arab-influenced verses of tragedy, to the popular ballet dances of Falla.

Since the performances normally do not begin before 10:30 P.M., there is time to dine within walking distance at the Barco (No. 34 Pedro Antonio de Alarcón), one of the few good Andalusian restaurants in Granada. Here is the place to drink an expensive Spanish wine and to sample the delicious *tortilla sacromonte*, an omelet of sweetbreads and brains.

For accommodations, the Alhambra Palace hotel on the road leading up to the Alhambra is not as expensive as it looks. In any event, its cocktail terrace has a view that is worth almost any price. Falla liked this spot: within walking distance of the hotel is the villa where he settled in 1919 to find silence and time to work on his music.

Nowadays, as a flourishing tourist center, Granada is rather noisy and hurried. But Don Quixote's words to a passer-by still hold. "It's not a bad place to visit," he advised.



At the Alcaiceria market.

# Right of Way: Cruise Ships or Whales?

by Mike Dennison

BATTLE — After an abrupt disappearance five years ago, humpback whales may be returning to Alaska's Glacier Bay, raising again the argument over whether whales and large tourist ships can thrive in the same waters. Whales attract the tourists, but conservationists say the more tourist ships there are, the less likely the whales will leave.

Chuck Juraz, a veteran whale researcher and science teacher in Juneau, Alaska, has long feared that the whales' exodus was linked solely to the increase in 20,000-ton tourist ships steaming through Glacier Bay and spectacular coastline scenery. When shared his views, and in 1980 the National Park Service cut ship traffic to its 66 level. Government figures show humpbacks resident in Glacier Bay dropped from 21 in 1977 to 3 in 1978 and then increased to 6 in

Now the National Marine Fisheries Service has recommended a slight increase — from 89 to 92 — in the number of cruise ships allowed a year, with the possibility of further increases if the whales return in numbers.

Wayne Hall, a board member of the Alaska Wildlife Alliance, says the whales are in what he terms "a no-win situation." If the humpbacks increase their numbers in Glacier Bay, cruise ship companies will press for relaxed restrictions. Yet if studies determine whale populations are getting smaller, the companies will say the restrictions have not helped and traffic may as well be increased.

Cruise industry spokesmen say they are still reviewing the biological opinion, but there is little question where they stand. "We feel the restrictions placed upon cruise ships are unfair to the traveling public who want to see Glacier Bay," says Steve Nielsen, vice president of operations with Princess Cruises of Los Angeles. Princess Cruises has 38 voyages to Glacier

Bay each summer and is one of six firms allowed to run its ships into the national park. Since 1980, about 60,000 tourists each year have seen Glacier Bay National Park from cruise ships.

Juraz, who has studied whales in southeast Alaska for 17 years, says humpbacks stop feeding and resting when ships pass by. He also questions the validity of government research showing humpbacks are returning.

The government studies identify "resident" whales as those spotted for at least four weeks in the bay, while Juraz considers whales to be residents only when they return to Glacier Bay year after year.

Humpback whales are an endangered species and are granted protection under the U.S. Marine Mammal Protection Act and the Endangered Species Act. Of the 1,200 whales living in the North Pacific, about 300 are known to frequent southeast Alaska.

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# Herald Tribune

Published With The New York Times and The Washington Post

## Reagan on the IMF

### Trade's 'Linchpin'

President Reagan has delivered a well-deserved kick to Congress for recalcitrance in strengthening the International Monetary Fund. Here is a fairly simple issue: The president is right and Congress is wrong. Congress, and particularly the House, has allowed itself to be intimidated by a cuckoo alliance of the least reliable elements of right and left, united in a dim populist resentment of the banks and isolationist hostility to the rest of the world.

The rest of the world is currently well represented in Washington at the annual meetings of the IMF and the World Bank, which Mr. Reagan was addressing. It would be a great mistake for congressmen to think that the reasons for expanding the IMF's resources are mere sweet charity, to help other countries and to make the United States more popular abroad. The reasons for lending that \$8.4 billion to the IMF lie much closer to home, and Mr. Reagan put them well. The basic purpose of a sound financial system is to support trade, and more than 2 million American jobs — one out of every eight jobs in manufacturing — depend directly on U.S. exports.

If America defaults on its responsibility, no other country has the economic power to take it up. There would be an imminent threat of the whole financial network unraveling — the "economic nightmare" of which Mr. Reagan spoke. Congressmen might usefully remind themselves that it is not a hypothetical case. It happened in the years after 1929.

Congress, in the 1940s, remembered the Depression with bitter clarity and worked strenuously to build the bulwarks against any repetition. The system has worked so well that a later generation's congressmen have forgotten what the danger was. Fortunate lives make short memories. The congressmen of the 1980s — with some notable exceptions — have grown careless. They seem to think that American economic strength is now so great that the country doesn't have to worry about exports, or credit, or the stability of the banking system. But of course that is what the congressmen elected in 1928 thought, too.

Mr. Reagan's vigorous endorsement of the IMF — the "linchpin" of the world's financial system, he called it in his speech on Tuesday — shows a clearer understanding of it than he had three years ago. As a candidate he was no particular friend of the IMF or the World Bank, but in office, working close to the practical necessities of the moment, he has changed his view. He knows that, without the IMF, Latin America's trade might already have collapsed, with terrible repercussions in the United States. Upon closer acquaintance he has come to a warmer appreciation of the job that the IMF is doing. It is a message that Congress will ignore only at America's peril.

—THE WASHINGTON POST.

### Leadership Needed

President Reagan calls the International Monetary Fund "the linchpin" of world finance. Addressing its annual meeting in Washington, he warned on Tuesday that failure to increase America's contributions risked "an economic nightmare that could plague generations to come." Now perhaps Mr. Reagan will let his deeds catch up with his words.

Americans led in creating the IMF and the World Bank after World War II. The enlightened purpose was to share world resources to prevent another nightmarish depression. With capital supplied by all member nations (now 146), the bank could provide long-term loans to foster development while the fund provided short-term assistance to countries lacking foreign exchange. Now, as then, the lack of such assistance threatens instability and a devastating worldwide contraction of trade. And American leadership remains essential.

As the world's new debt crisis becomes evident a year ago, the Reagan team stood alone in arguing that any increase in IMF resources should be kept small. A compromise finally produced the 48-percent increase now at issue. But even now the Reagan administration stands in isolation, with the least generous position on three other issues: how much to enlarge the bank's operations, and how much to give its soft-loan offshoot, the International Development Association.

Why is Mr. Reagan's response so sluggish? He pleads realism, contending that Congress would not vote larger sums. A better word is abdication — of the president's duty to lead.

The most pressing issue is the pending authorization to add \$8.4 billion to the \$16 billion that the Treasury may borrow to lend to the IMF when needed. The Senate and the House have approved, but in radically different bills that still need reconciling. The Senate proposes restraints on American bank lending that are reasonable; the House proposes curbs on banks and on the fund that are not.

One nightmarish House amendment has provoked a particularly bitter battle. It would require America to vote against loans to "communist dictatorships." The Republican Congressional Campaign Committee injected a vial of poison into the debate by calling 20 objecting Democrats "supporters" of communism. Mr. Reagan opposes this amendment but has silently tolerated his party's smear.

It is inconceivable that Congress will not pass this bill, but all too conceivable that it will attach shameful strings. Mr. Reagan asserts "an unbreakable commitment" to increase funding — strong words implying recognition of the importance of the IMF and its sister institutions. Let him prove it with a vigorous effort to keep Congress from strangling them.

—THE NEW YORK TIMES.

## Other Opinion

### A Setback in Lebanon

It would take a hard heart indeed not to welcome the halt to the Lebanese carnage. But one would have to be shortsighted indeed not to see that the cease-fire is fragile and that it formalizes a serious setback for the Beirut government and its Western protectors.

Despite the mistakes of the Phalangists, who are all too prone to behave as if they were in conquered territory, Amin Gemayel might have been able to come out ahead had he negotiated evacuation with Israel and Syria at the same time. But the Americans were convinced — wrongly — that Saudi Arabia, which heavily subsidizes Damascus, would be able to force its hand when the time came. And so it was that the Lebanese president let himself be talked into signing an evacuation agreement in May with Israel alone, some of the clauses of which gave Israel a right to intervene in Lebanese affairs that Syria could never tolerate.

Now we hear talk of entrusting supervision of the cease-fire to UN observers. In plain language, that means that the Soviet Union, with its veto right in the Security Council, could permit as many violations as it pleased.

—André Fontaine in Le Monde (Paris).

### Congress, the IMF and Africa

The United States is the biggest shareholder in the International Monetary Fund. It is acting like one of the smallest. Those visionary Americans who helped in the 1940s to build a world economic system to avoid the mercantilist madness of the 1930s must be in despair about Congress's delay in increasing America's contribution to the IMF.

Lead, they would say. No one else will.

—The Economist (London).

The present state of the IMF is by no means solely due to the fierce controversies sparked

in the U.S. Congress. The IMF, once a forum for international economic management and the guardian of the exchange rate stability decreed at Bretton Woods, has become no more than a lender of last resort and hence guarantor of the Western commercial banks.

That is an essential role, but not an ambitious one. To say that the developed world's finance ministers are busy polishing the brass as the ship goes down would be too harsh a metaphor, but they certainly seem oblivious of what is not going on in the engine room.

—The Guardian (London).

The cash crisis of the International Monetary Fund, coming on top of the similar shortfall in the resources of the International Development Agency, the soft-loan arm of the World Bank, could not have come at a worse time for the poorest nations, most of them in Africa. At the very moment when their needs are greatest, and when they have begun to appreciate the necessity for domestic policy reforms to stabilize their economies, the flows of external aid, loans and direct investment are stagnating, if not actually shrinking. The past 18 months have seen a whole series of African countries adopting the sort of radical austerity programs demanded by the IMF in exchange for balance of payments support.

Several more, including Nigeria — the largest and economically by far the most important — are still in the midst of negotiations. The indications are that they will swallow the medicine being offered as a precondition for such assistance: devaluation, or a close equivalent, tight credit ceilings and curbs on government spending. They have begun on a path of self-help, which needs encouragement and support. It would be quite wrong for the richer nations to curtail their support, just when their preaching is being listened to.

—The Financial Times (London).

## FROM OUR SEPT. 30 PAGES, 75 AND 50 YEARS AGO

### 1908: Bulgarians Seize Railroad

BERLIN — According to an excellent authority here Germany is actively supporting Austria in her protest against the seizure by Bulgaria of the portion of the Orient railway which passes through her territory. According to the same informant, the whole question resolves itself into this: Turkey cannot possibly conduct any negotiations suggested by Bulgaria until the act of violence committed in the seizure of the railroad has been annulled. Bulgaria, on the other hand, having seized the railroad, has decided to retain it pending the negotiations. She hopes to obtain at least a diminution in the tariff convention allowing her to use it in time of war. Prince Ferdinand is being pressed hard by his people to stand firm.

### 1933: Divorce and Jews in Germany

BERLIN — Aryans may be divorced from Jewish marriage partners under German law, according to Assessor Weichmann. He quotes a paragraph of the civil code law under which a person may obtain divorce because of certain qualities of his or her partner. Application of this paragraph might be objected to on the grounds that the Aryan partner knew, before entering the marriage, that the other partner was Jewish. Now, according to Weichmann, "after the Hitler government has enlightened them, after laws have been passed excluding Jews from officialdom and Jewish doctors and lawyers from carrying out their professional activities... every German realizes the necessity to keep his race pure."

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## Democracy: Interdependence in the '80s

By Aileen Nicholson

The writer is a Liberal member of the Canadian House of Commons. This article is adapted from a report prepared for the first Strasbourg Conference on Parliamentary Democracy, to be held by the Council of Europe from Oct. 4 to 6.

STRASBOURG — We are seeing a number of phenomena in Western industrial nations which threaten the continued health of parliamentary democracy. Among the most significant are the decline in influence, prestige and efficacy of legislatures and political parties and the concomitant rise in influence and authority of the executive, the bureaucracy and citizen protest outside of the political system.

As legislatures lose power to the executive branch, as elected officials lose control over bureaucrats and as citizens lose faith in the political process, citizens increasingly lobby or agitate outside the political system rather than within it. The global recession has hindered the effectiveness of remedial action.

Moreover, the depressed economic climate has significantly increased the gap between developed and developing nations, not only because of the very large debt loads of the latter but also because developed nations perceive themselves to be less able to allocate resources abroad when domestic difficulties are pressing. Thus, at the time when latent and developing democracies are in greatest need of assistance, they are in danger of receiving less aid than before.

These are worrisome factors that have led many to consider that parliamentary democracy is in serious danger. On the other hand, there are also many positive factors.

Technological change and improved information and communications have served to democratize the political system and have provided leaders in the Western democratic nations with new opportunities to encourage greater citizen involvement, understanding and participation and so strengthen the base of support for parliamentary democracy. The transition of the Greens in the Federal Republic of Germany from anti-parliamentary movement to parliamentary faction is one interesting example.

Opposition is a healthy component of democratic society. One way to prevent or limit political alienation is the active encouragement of opportunities to express legitimate dissent or opposition within the parliamentary system.

Robert Dahl, in "Political Oppositions in Western Democracies," wrote: "Of the three great milestones in the development of democratic institutions — the right to participate in governmental decisions by casting a vote, the right to be represented and the right of an organized opposition to appeal for votes against the government in elections and in Parliament — the last, in a highly developed form, so wholly modern that there are people now living who were born before it had appeared in most of Western Europe. Throughout recorded history, it seems, stable institutions providing legal, orderly, peaceful modes of political opposition have been rare."

Federalism has traditionally been considered a form of government that can accommodate cultural pluralism on a regional basis and can allow for considerable autonomy within the larger nation-state. Canada has one of the most decentralized federal systems in the world.

Whether because of or in spite of that fact, there have been complaints of rigidity; regional differences were accentuated by economic dis-

parities and there was conflict between the need for a fully integrated national policy in certain areas and the wish of provincial governments to maintain their jurisdiction in these areas.

In the early 1970s Canada had relatively minor and short-lived examples of extra-parliamentary activity by the FLQ separatist movement, which was soon subdued by the democratic parliamentary alternative, the separatist political Parti Québécois, which eventually took power in Quebec in the provincial election of 1976. The Canadian federal system was able to accommodate this type of democratic dissent, as it had done in Western Canada in previous decades.

Canada has moved in several ways to broaden its democracy. The theoretical conflicts inherent

We must accept the fact that, although mankind has had many pasts, it will have only one future, and that it will be the same for all of us.

—Pierre Elliott Trudeau.

in a British system of cabinet government between access-to-information and the concepts of the closed bureaucracy and ministerial responsibility have produced something of a quandary. Recently, however, freedom of information legislation was adopted and implemented.

Similarly, the past decade has seen the implementation of federal human rights legislation and a Canadian Human Rights Commission, as well as the entrenchment of a Charter of Rights and Freedom in the Constitution.

The Official Languages Act and other government statements guarantee all Canadians the right to service by the federal government in the official language of their choice.

Programs have been implemented to improve the representation of disadvantaged groups such as women, natives and the handicapped.

Since 1973 the federal government has enunciated an official multi-culturalism policy, which not only recognizes the multi-cultural nature of Canada as an immigrant society but also encourages the preservation and maintenance of various cultural identities — the so-called "mosaic" view of pluralist societies.

The three federal parties have attempted in recent years to increase citizen participation by democratizing or decentralizing the party decision-making machinery. There has been a concerted effort to broaden the base of party membership and encourage participation through such mechanisms as regular policy conventions.

In promoting democracy abroad, we have learned that we must respect the right of others to choose their own path. We used to assume that the people of the Third World needed and

wanted to develop along the industrial pattern of Europe and North America. Underlying this approach was an assumption that the developing countries were a homogeneous group — that a project transposed to Asia was the same as a project transposed to Africa. Today we are trying to come to terms with the different social and cultural values of the Third World.

The question of tying aid to human rights issues is frequently raised. Rejecting the argument made by some that this constitutes an intrusion into internal matters of another sovereign state, Mack MacGuigan, the former secretary of state for external affairs, said in 1982:

"A government that expresses its concerns about violations of human rights by another government is not intervening in an internal matter. Rather it is exercising a legitimate treaty right — and indeed discharging a treaty obligation to promote universal respect for human rights and fundamental freedoms."

This is a delicate matter. Allan MacEachen, minister of state for external affairs and deputy prime minister, has told the Canadian Human Rights Foundation: "Where gross violations of human rights or conditions of conflict make the provision of an aid program impossible, we are prepared to terminate or suspend our assistance, as we did in Uganda under Idi Amin and as we have done in El Salvador and Guatemala."

But we do not back diplomatic relations, because it would... deny us an important opportunity for contact and limit our abilities to make on-site assessments. Similarly, where our aid programs meet our principal objective of helping the poor, we cannot penalize the less fortunate for the errors of their governments."

Canada has given support to the North-South dialogue and the concept of global negotiations. At the 1981 Cancun meeting, Prime Minister Trudeau played a major coordinating role. After the Versailles conference in 1982 the general decline in support for global negotiations among some participating countries prompted the Canadian government to institute certain unilateral initiatives, including the new emphasis on aid to the poorest of the developing nations.

In his budget speech in April, Finance Minister Marc Lalonde announced that lower rates of customs duty would be implemented for a number of imports from developing countries.

I suggest that the most important tasks parliamentary democracies must accomplish in the near future are the rejuvenation of legislatures as decision-making bodies and of political parties as formal organizations for citizen participation. Increased aid and technical assistance to developing nations are urgent to enable them to establish stable systems.

In the developed nations it is important that we have greater sensitivity to the extra-territorial effects of national policies. The world today is a small place and changes have come faster than our moral philosophy has been able to guide us toward a new perception of the common good, a new morality of interdependence.

In dealing with the balance of nuclear terror, where the issue is in effect the survival of humanity, we are dealing with uncharted territory.

International Herald Tribune.

## Britain's Democratic Left Has Defaulted

By William Pfaff

LONDON — The left has collapsed in Britain, and efforts to put it together again go poorly. The Social Democratic and Liberal parties have just held their conferences, agreeing edgily to continue to disagree. The Labor Party is about to elect a new leader, who will have only the wreckage of a once-great party to lead.

The defeat of Labor last June left the party's future very dark, and it now drifts toward sectarianism, under the influence of its left-wing activists — the only people remaining in the party with a theory of victory, albeit a drastic one. They see Thatcherism producing (or being provoked into producing) first fascism and then a revolutionary uprising of an oppressed British working class.

The more moderate surviving members and supporters of Labor, finding this hard to take and harder to believe, are drifting away, some toward the Social Democratic-Liberal alliance but many — especially working-class supporters — to the Tories. Mrs. Thatcher's tough-mindedness, apparent realism on economic issues and unselfconscious patriotism have a strong appeal.

The Conservatives got 40 percent of the skilled working-class vote in June, and 33 percent of the unskilled. Labor took 32 percent and 41 respectively. But a decade ago, in 1974, Labor had half the vote of skilled workers and 57 percent of the unskilled. The reformist alliance appeals least to workers.

The British left has run out of ideas. This has been the chief factor in the decline of Labor since the mid-1970s. Harold Wilson's opportunism marked the final stage in the destruction of the party's morale, its sense of moral purpose and authority.

The social reforms for which Labor had been responsible in the 1950s were taken for granted by the 1970s, while the costs and failures of those reforms were increasingly apparent.

Labor's economic policies were producing inflation at over 13 percent — the highest rate in industrial Europe, next to Italy — and high unemployment as well, nearly 6 percent.

In these circumstances, Labor had nothing interesting to say or to propose. It has not had since.

Its turn to the left was a logical consequence. Young people who perceived the moral and intellectual impoverishment of Labor convinced themselves that a total collapse of the existing system might liberate beneficial change. There may not be much intellectual substance in that doctrine either, but at least it represents hope.

Thus the extreme left proved the most dynamic force in the party, and effectively it has taken over.

Modern émigrés from Labor created the Social Democrats, but the ideas they carried with them into their alliance with the Liberals were those of the bypassed reformism of the old Labor Party. They refused to face the implications of the fact that it has all already been done: Social protection and insurance, improved public services, attention to minorities, appeal on the international scene to the better instincts of Russians and Americans, and so on. The Social Democrats are also a party without a rooted constituency.

Labor has working-class followers who would follow the party, and may

yet do so, over a cliff, just because it is Labor. The Tory party's roots in society, and in the British class system, are equally powerful. Few of its members made a choice to become Tories — God made them so by birth.

Great new parties, in the Anglo-American tradition at least, are usually born out of great issues and social upheaval, the breakup of existing divisions of political power. But the Social Democrats do not stand for or against anything to compare

with free trade, imperialism, the popular franchise, slavery, states' rights. They represent an attempt to recreate what the Labor Party might have been had there never been trade unions in it. Their stance is that of attractive, edifying, toothless reform.

The industrial countries are buffeted by deficits, low growth, social expenditures grown unmanageably costly. An OECD study just out says 20 million jobs will have to be created in the next five years just to keep

unemployment in the OECD countries where it is now — in Britain's case, 12.25 percent of the labor force.

How will all this be solved? What is to be done? Mrs. Thatcher says grimly that she has the answer: austerity, enterprise, trust in the marketplace. Her ideas may not be the best ideas, but the Social Democrats and Liberals have nothing convincing to put against them, and the Labor Party has all but abandoned the argument, to wait for Gabriel's trumpet.

International Herald Tribune.

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## But Is a 'Social Market' Conservative?

By George F. Will

WASHINGTON — Looking as it is, a far better habit, at a far horizon, Margaret Thatcher sees a Britain made virtuous by order, and then made prosperous by its virtues — thrift, industriousness, entrepreneurial daring. But, as yet, after considerable ordeal, the evidence of renewal is less statistical than anecdotal.

There are many stories of management and labor driven by hard times to buckle down to new efficiencies. But growth, employment and investment are disappointing.

Mrs. Thatcher's recovery, such as it is, like Mr. Reagan's, is driven by consumers, not investors, and that was not the plan. Productivity in manufacturing is rising (up 17 percent since 1980, better than in Japan), but that happens when recession washes away the least efficient. Britain's productivity remains 30 percent behind Europe's average.

During the 1970s wages rose 346 percent, productivity just 26 percent. The union and management attitudes responsible for that have been changed in which is a significant Thatcher achievement. But during the recession Britain's industrial production dropped three times more than the average for industrial nations, and real gross national product is still slightly below what it was when Mrs. Thatcher took office in 1979. Forecasters expect GNP growth to be just 2 percent in 1983 and less in 1984, when unemployment, now 12.5 percent, may rise.

Critics say she is like Mr. Gradgrind in Dickens' "Hard Times," who believed that the good Samaritan was a bad economist. But in rhetoric and policies she accepts the "social market economy." That phrase is favored by her critics as they try to seem different without disputing her indisputable premise, namely, that Britain's welfare state cannot be paid for by the British economy without making the economy sluggish.

A "social market economy" is just what exists in every developed nation. It is a system in which market forces are tempered by what Ronald Reagan approvingly calls a "safety net" of welfare state policies.

Mrs. Thatcher, like Mr. Reagan, inherited and will bequeath to successors a "social market economy." Like Mr. Reagan, she never sought, never got and will never seek a mandate for radical surgery on the welfare state. She has tried to prune it a bit, but it has broken her shears — with help from traditional Tory paternalists.

Spending on the National Health Service is up 7.7 percent in real terms; education spending per child is up 5 percent. Unemployment benefits will soon be higher than under Labor.

That may help explain why unemployment cost Mrs. Thatcher so little in the elections, and why you can eat in London restaurants for months without meeting an English waiter.

Mr. Reagan could take a correspondence course from Mrs. Thatcher in the art of praising free markets, entrepreneurship, minimal government and the rest of Republican values, including — drum roll, please — balanced budgets.

When I first met her, in 1976, I decided she had made a mistake being born 4,500 miles too far east. She would have made a magnificent Republican senator from Oklahoma, but she was, I thought, improbable as a leader of Britain's Conservatives.

She defines conservatism as most clearly in her own words, as few Tories ever have. She defines it in terms of individualism and a light state — low taxes for a slim public sector.

Collectivism in Britain is at least as

much the legacy of Conservatives as of socialists. Clement Attlee's post-war Labor government built on institutional and even ideological foundations laid by Conservatives.

The Americanization of British Conservatism is a Thatcher achievement. In fact, although she is a radical Tory, she is a traditional Republican — perhaps more so than Ronald Reagan. Unable to cut spending as much as she desires (it is 43.5 percent of GNP, up from 40.5 percent when she took office), she has raised taxes as a percentage of GNP (from 35.3 to 39.1) to hold down the deficit. Britain now has the smallest deficit in the West: 2.75 percent of GNP.

She believes what Republicans said for 30 years — what they said until it recently became impolitic: that large deficits are a cause of high interest rates, and are so disruptive of capital markets that higher taxes are justified, as a nasty last resort, to reduce deficits. If Mrs. Thatcher's program does not produce growth soon, or if Mr. Reagan's recovery aborts soon, there will be new heat in the intramural argument among conservatives concerning which is worse, tax increases or huge deficits.

The Washington Post.

## LETTERS TO THE EDITOR

### Talk — or Not?

Regarding "Echo From Eisenhower on Nuclear War" (IHT, Sept. 7):

The human race has finally reached the day President Eisenhower warned us about. Any outbreak of hostilities now between the superpowers will be complete. No heavily armed nation in history has ever failed to use its weapons, for one reason or another.

It is inconceivable that today's leaders possess such God-like qualities that it won't happen again. The superpowers must negotiate the end of armaments lest the world become another dim star in the universe.

WILLIAM MAJOR, Napa, California.

That any other government is still speaking to the Kremlin is amazing. It steals Afghanistan and says it's America's fault. It bullies Poland's government into stealing freedom from its people and says it's America's fault. It steals the lives of the 269 people aboard the Korean Air Lines plane and says it's America's fault.

Forget arms control; the Soviets never live up to their word, but only use agreements to weaken others. Get those American lasers in orbit before it's too late and they steal the world.

THOMAS GRATTAN, Copenhagen.

### Fronts and Fronts

In "Flak About Flight 007: Russians Hunker Down and Admit Nothing" (IHT, Sept. 15), Siegfried Schmemmann considers that the Soviet leaders "seemed to share the presumption that the world outside is essentially like their world."

The world outside? At Mrs. el-Kohr, on July 3, 1940, the British opened fire on the French fleet because it was feared that it might otherwise come under German control, and 1,297 French sailors were killed. But France had ceased to be belligerent since June 22.

And today's world? Philip Taubman (IHT, Sept. 13) wrote that the White House might have to consider mounting "a new military front of the East-West conflict" in Central Amer-

## Zimbabwe: Questions Of Justice

By Anthony Lewis

BOSTON — Robert Mugabe, prime minister of Zimbabwe, returned home recently after an extended visit to the United States. As a key figure in black Africa, he drew respectful attention in Washington. But there was a notable aspect of this visit beyond the official exchanges.

Mr. Mugabe was asked repeatedly at public meetings and press conferences about a legal matter in Zimbabwe: the detention of six white air force officers after they were tried and acquitted on sabotage charges. His answers raised questions about the claims of law and security in a hard-pressed new state.

The six airmen were accused of complicity in a raid that destroyed nearly half of Zimbabwe's air force planes — a raid widely believed to have been organized by South Africa. The only evidence against them was confessions they had made after weeks of interrogation.

The trial was Enoch Dumbutshena, the first black appointed to the bench by the Mugabe government after independence. Last month Justice Dumbutshena rejected the confessions, finding that they had been obtained illegally.

The officers had been denied access to lawyers while being questioned, and the judge said that this alone barred use of the confessions. He accepted the officers' evidence that they had been assaulted and subjected to electric shocks. He said: "The psychological effects of lengthy interrogation, incommunicado incarceration and torture suffered at the hands of the police drive an accused person to hopelessness."

Justice Dumbutshena ordered the defendants freed. But they were then detained under emergency laws inherited from the white minority regime of Ian Smith. The two senior officers and a third were later released, and they flew to Britain, but the others remain in



# BANKING AND FINANCE IN THE ARAB WORLD

A SPECIAL REPORT — PART II

FRIDAY, SEPTEMBER 30, 1983

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Investors relax during a lull in trading at Kuwait's official stock exchange.

## How the Banks Fared in Kuwait's Stock Market Crash

**Special to the IHT**  
KUWAIT — The Kuwaiti banking system so far has emerged relatively unscathed from the notorious crash of the *souk al-manakh*, the unofficial stock exchange.  
One year after the market disaster, it appears that the greatest damage has been to the financial reputation of Kuwait and Kuwaitis.  
The crash, which occurred in September 1982, followed a speculative boom financed largely by postdated checks for future transactions and included huge premiums over the prevailing prices. It quickly aroused the concern of a number of international bankers, who flew to Kuwait to as-

sess the problem and try to learn the extent of the banks' involvement in it.  
In fact, direct involvement has been negligible. Some bankers estimate that, at the time of the collapse, \$618 million to \$859 million in checks had been discounted by the banks, or less than 6 percent of total bank credit.  
The fact that the involvement is not larger is due mainly to the continual warnings that came from the Central Bank, and in particular its former governor, Hamzah Abbas Hussain. Long before the crash, the banks were forbidden to accept postdated checks or Gulf company shares as collateral.

Nevertheless, one of the characteristics of the Kuwaiti banking system is the extent of unsecured "name lending." The merchant community of Kuwait is small and interrelated, and a large portion of bank credit in the country is determined by the family's name and the individual's reputation, rather than more balance sheet worth. The system has functioned until now, but the *souk al-manakh* problem threatens the most highly reputed names in Kuwait.  
As for the big dealers, the dozen or so traders at the top of the pyramid of debts received virtually no lending from the banks. The *manakh* checks were in effect a system of artificial credit.

However, when the big dealers are declared bankrupt, many Kuwaitis fear that a second tier of investors could follow them, a group including the top 500 companies in Kuwait.  
The scope of the losses will not be fully assessed until an arbitration panel has determined how much each of the big traders can pay. Until then, no settlements can take place.  
Another problem is that an unknown portion of the total bank credit of \$15 billion could have ended up on the *manakh*, even if the line of credit had been extended for some other purpose. A lot of  
(Continued on Following Page)

## After Oil Surplus: Will Rising Prices Destroy Market?

By Pierre Shammas

CYPRUS — The Middle East is going through a new financial cycle, one of depressed income and restrained spending, of more cautious lending by the "haves" and a bolder borrowing offensive by the "have-nots."  
Occasioned by the \$5-per-barrel fall of oil prices in March 1983, this cycle could end in 1987, or in 1988, depending on the pace of world economic recovery and the consequent growth of demand for OPEC oil. Financially, it is a cycle of rationalization, of consequent recession or centrally planned contraction, of higher risks and lean opportunities. From the Middle Eastern standpoint, the sooner it all ends the better. But will the next cycle be a happier one? The answer may come even before the end of this cycle.  
The cycle that will follow will be a much longer one. Starting with a substantial rise in oil prices, it may end with the value of conventional petroleum rendering alternative energy commercially competitive, and that could occur well before 1999.  
So, in terms of oil-generated revenues, there will be five lean years and 12 fat ones to follow; but the fat may soon disappear if Middle East planners failed to create a diversified, self-growing economic base.  
The countries of the Middle East, including the "low absorbers" of the Gulf and the more diversified entities of North Africa, thus have just about 17 years to set their house in order. Non-oil resources must be developed to exceed 50 percent to 60 percent of their gross national product before alternative energy becomes a dominant market force in the industrialized world.  
By then the bargaining power of conventional oil will have secondary importance; it will be weighed in qualitative rather than quantitative terms. The national economic base of Middle East oil exporters will determine, inasmuch as income from any source will have to be properly planned, well in advance, to correspond to the functional — rather than induced — growth requirements of the country. In turn, growth requirements will have to correspond to the overall national pattern of development — which is a matter of economic sovereignty, hence a national strategy — rather than become dependent on, or vulnerable to, the market forces.  
The five lean years of the present cycle could serve as a restraining factor; they should help Middle East countries establish some order to their economies that were overheated by the precipitated oil revenues of the previous cycle, so that the fat that will come during the 1990s can be fully absorbed by a carefully widened and rationally diversified economic base.  
It is from this general perspective that some governments in the Middle East are beginning to rethink their national priorities. One would have clearer perception of current developments if one reviews the previous cycle, which started in the wake of the Arab-Israeli war and the ensuing oil embargo in late 1973 and ended with the near collapse of the Organization of Petroleum Exporting Countries' pricing system by late 1982.  
Money was pouring in so fast that in some cases it could hardly scratch the surface. That was the cycle of big dreams, of the shah's hopes to make Iran the world's fifth superpower within a few years, of Colonel Moammar Qadhafi of Libya's "Third International" with petrodollars deployed for world revolutions against both capitalism and communism; it was the cycle of the nouveau riches who would refuse to believe that the wheels of fortune could turn the other way around.  
Only a few dared to listen to Saudi warnings, since early 1981, that a serious glut was coming, that the industrialized nations of the Organization of Economic Cooperation and Development were becoming increasingly efficient in saving energy, and that non-OPEC exporters were taking the bigger share of world oil markets. Big dreams turned into big nightmares by late 1982.  
Kuwaiti speculators on the unofficial stock exchange, the *souk al-manakh*, had signed postdated checks worth a total of \$94 billion. Today, the government hopes its half-measures to solve the problem may at least limit the number of bankruptcies to about 500. But the art of siphoning cash receipts abroad, of accumulating debts and then going bankrupt at home is spreading throughout the region.  
The nouveaux riches of the previous cycle suddenly faced an uphill  
(Continued on Following Page)

## Saudi Arabia Keeps Tight Rein on Flourishing Stock Market

By Brad Heller

RIYADH — On the eve of what will be the largest public stock offering in its brief history, Saudi Arabia's stock market finds itself in a state of flux.  
The *souk al-asham*, the secondary shares market, is an informal and unofficial market where almost anyone can buy and sell shares. Most of the trading is handled by about a dozen unlicensed brokers who work out of spartan offices with little more than a desk and a telephone.  
The market has flourished; recent public offerings have been oversubscribed by as much as 10 times.  
The government, mindful of the Kuwaiti experience, has kept a close eye and tight regulatory reins on trading. Last April, it issued a royal decree restricting trading in public shares to the country's domestic banks. This effectively put the private brokers out of business.  
Such events have created uncertainty in the marketplace. Share prices have fallen back sharply since touching record highs last spring, according to market watchers. Some issues have fallen as much as 25 percent from those highs, more than would be expected in the summer months.  
Shares of Saudi American Bank, for example, started

ed the year at about 500 Saudi riyals a share. They reached 1,200 to 1,300 riyals before falling to about 800 to 900 riyals more recently. This year is expected to be less profitable than past years.  
The market is now gearing up for a public offering of shares in the government-owned Saudi Basic Industries Corporation, known as SABIC. A conglomerate of the Saudi petrochemical industries, SABIC has said it will sell 15 percent to 20 percent of its shares in November. The total value of those shares is estimated to be in excess of \$430 million, and the offering is expected to be heavily oversubscribed.  
A management consultant in Riyadh said that he expected at least 500,000 Saudis, and perhaps as many as two million, to subscribe. Virtually every public offering in recent years has been oversubscribed, often by eight to 10 times.  
The reason for such interest is that there are so few public companies with stocks to offer and so much private money looking for an investment outlet. Estimates of the number of public companies hover at fewer than 50 including about a dozen banks and a similar number of cement factories.  
The rest of the market includes some public corporations, such as the bus company, a shipping company

and hotel chain, as well as some agricultural companies. Adding to the limited market is the fact that some of the companies have little turnover.  
The Saudi market lacks a building, has no uniform stock quotations, very little company news and few reporting requirements. The government has provided some regulation in the form of decrees from the Ministry of Finance and National Economy or the Ministry of Commerce.  
Also being created is a company to register shares, jointly owned and operated by the kingdom's commercial banks. The company will not actually deal in shares but will speed up the exchange and update the ownership records of shares.  
Choosing the banks to broker and register the shares puts the market "into the hands of a known entity," a banker said. The banks are already established and regulated. Furthermore, the network of branch banks will create a more homogeneous market and prices, and also will allow the public to deal in stocks at about 450 bank branches. The system is similar to the Swiss and West German stock markets.  
The banks were scheduled to begin trading shares in October. They are expected to offer both a bid and ask price for each company's stocks. The operations are

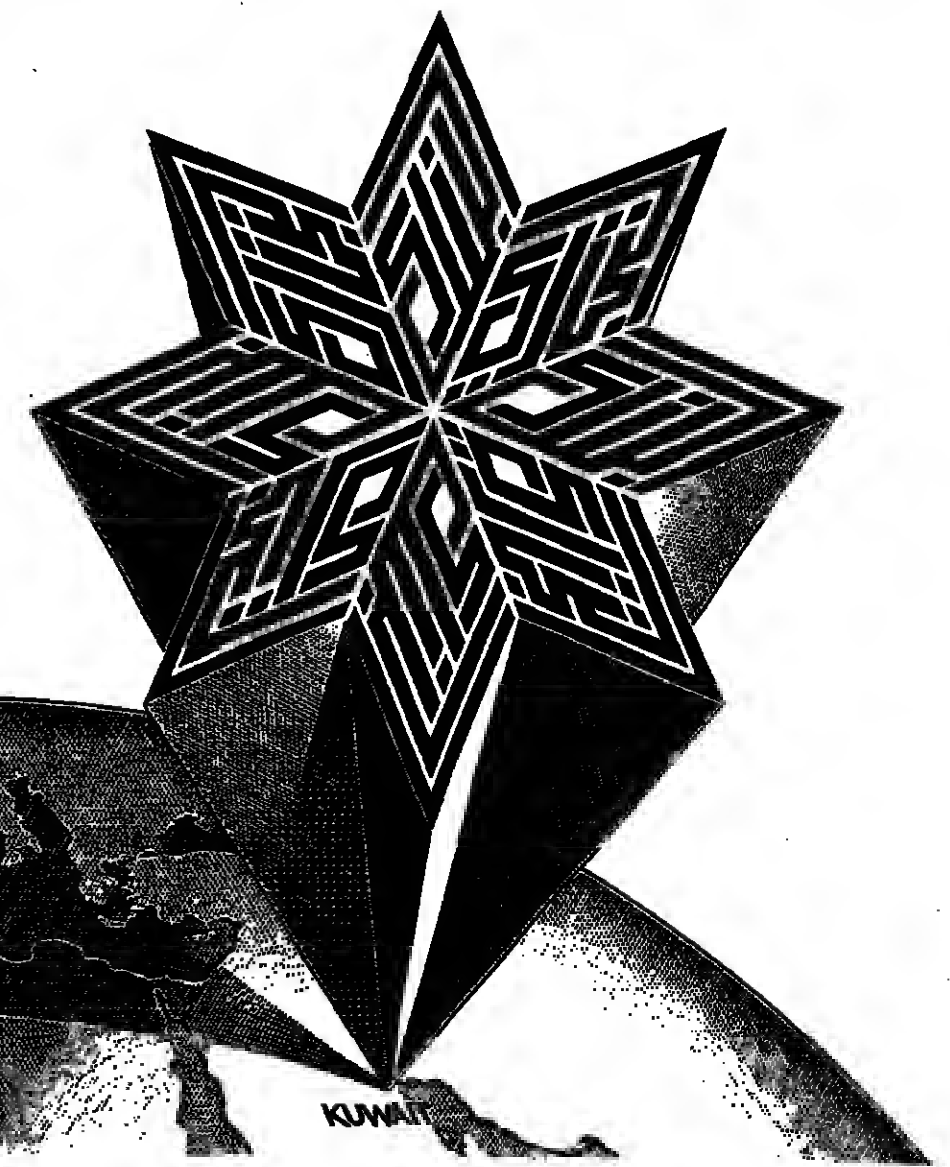
expected to be "a profit center" for the banks, a banker said.  
The future of the independent brokers remains unclear. Some have been recruited by the banks to work in the shares departments while others are dealing in the stocks as before. They defend themselves and the job they have done.  
"Some of us have been here from the beginning. We took the initiative and the risk to create a market and provided an outlet for investors," a Saudi broker said. He added: "We have done a good job and are efficient and are growing with the market."  
One of the reasons the government has delayed setting up an official market is said to be the lack of depth of the market. A market analyst estimates the Saudi market at 40 companies, about 15 of which are of interesting size, with 220 million issued shares worth about \$11.6 billion.  
For this reason the SABIC offering is being eagerly awaited. SABIC's bylaws state that the corporation eventually is to offer 75 percent of its shares to the public.  
Still undecided is whether the government will open  
(Continued on Following Page)

# In Kuwait, one bank stands out because of its progressive attitude.

In the past few years, Kuwait has emerged as the financial centre of the Gulf.  
Not surprisingly this has brought new and often extreme pressures to bear on age-old skills.  
One bank has stood out in its willingness and ability to respond to this new situation, the Commercial Bank of Kuwait.  
**MORE PROGRESSIVE.**  
Our aim from the beginning has been to establish the Commercial Bank of Kuwait as the most progressive and effective bank in the Gulf.  
Today, we are one of Kuwait's largest banks and can offer comprehensive credit, banking and financial services to customers in Kuwait and all over the world.  
Our rapid and sustained growth has been achieved by detailed planning and organization, together with a sound knowledge of the Middle East.  
In 1981 for instance, as part of a continuing buildup of resources, we instituted separate international and treasury divisions, and an independent data processing unit.  
**CLOSER RELATIONSHIPS.**  
Our policy of establishing a close working relationship with each of our clients — especially those in industry and commerce — has also played a significant part in our success. This enables us to fully identify and understand a company's financial needs, and to specifically tailor our services to meet them.  
**PROVEN SUCCESS.**  
We are successfully involved in major syndicates as lead or participating bank.  
We provide comprehensive packages to international companies working, trading, building and investing in Kuwait.  
Similarly, we help Kuwait firms to do business abroad and relied upon to facilitate a fast turn-round for letters of credit.  
As part of our international service we opened the first foreign exchange dealing room in Kuwait, and were the first to establish a direct link to Reuters in London. We were also the first bank to provide daily financial bulletins in the media.

**WORLDWIDE EXPERIENCE.**  
Our close association with leading world banks means we can bring the necessary weight and authority to any given situation. It means, too, that our network of correspondent banks, gives our customers a financial presence in any one of 89 countries.  
**EXCELLENT SERVICES.**  
We are the only bank in Kuwait with all its branches linked by computer.  
We are the only bank at Kuwait's new International Airport — the branch, open 24 hours a day, is the only such facility in Kuwait.  
Through our links with VISA, we were also the first bank in Kuwait to offer credit cards.  
**THE BUSINESS BANK.**  
Our modern services and facilities, our proven success and our continuing progressive attitude make us the number one business bank in Kuwait.  
For outstanding service in Kuwait and the Gulf, make the Commercial Bank your number one choice.

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## BANKING AND FINANCE IN THE ARAB WORLD

## After the Glut: Will Rising Prices Destroy Market?

(Continued From Preceding Page)

struggle for survival. Those overnight tycoons whose household overhead runs in the tens of millions of dollars will be the worst losers; in view of their expensive habits they would settle for no less than a big crash before conceding defeat, a crash that should ramify even beyond their own environment. Of course, this is a generalization; but I would first count someone's villas, private jets and yachts before I would bet my money on the person.

Several "high absorber" countries have seen oil receipts being overtaken by their food import bills.

• Saudi Arabia's absorptive capacity grew by almost 300 percent since the end of 1972; but a major part of this was, in turn, absorbed by one-way subsidies that had no significant effect on the growth of

other low-absorber countries of the Gulf and of Libya.

• The Gulf area has made both Iraq and Iran almost totally dependent on oil revenues, to the point that whoever manages to destroy

to other parts of the world (9 percent). The Arab banks' share of total world lending rose from 2 percent in 1977 to 10 percent in 1983.

• OPEC countries as a group

this method gets wider acceptance among international contractors, it would still have a marginal effect on the development programs of the countries concerned.

The trend throughout this cycle will be one of slower, more cautious economic growth. Particularly in the case of such low absorbers as Saudi Arabia and Kuwait, rapid growth that would entail higher spending at this stage would have adverse effects on their financial reserves and their domestic economies.

It is generally assumed that this is the time for the private sector to play a more active role in generating new business opportunities.

The *manakh* shock has prompted the Gulf states to regulate share trading. In Saudi Arabia there is a ministerial committee watching the movements on its unofficial stock exchange, *souk al-asham*, where about 100 joint stock companies with a total capital of almost \$6 billion have more than 200 million shares floated; only banks are allowed to handle share trading. Kuwait is setting new rules for its official stock exchange, while it is sorting out the *manakh* affair. Bahrain and the U.A.E. also are devising new rules with emphasis on the need to protect investors.

The local banks are being encouraged to play a more positive role in funding the private sector as well as in the financing of government projects. However, Middle East governments will have a hard time tackling liquidity problems. Even in the Gulf, reduced government spending will result in a slower growth of domestic money supply. In turn, this will affect bank liquidity; a further drain on liquidity will result from increased local demand for credit. Liquidity shortages will be most acute in such high absorber and non-oil countries as Syria, Jordan, Morocco and Egypt.

The liquidity problem will not be as serious in Gulf countries like Saudi Arabia, Kuwait, the U.A.E. and Qatar, where local banks hold substantial foreign assets that can easily be redeployed to meet domestic requirements. The banks of these countries are quite solid; the considerably high profits they realized during the previous cycle have enabled them to build a huge capital base. They can play an important role in their governments' efforts to weather the difficulties of the lean years ahead.

## Crash Hurts Kuwaiti Dinar Bonds

By Bob Hagerty

KUWAIT — Among the many victims of the *souk al-manakh* are Kuwaiti dinar bonds. Thirteen months after the collapse of the market, most big Kuwaiti investors remain unable to determine the ultimate damage to their balance sheets. Thus, the three Kuwaiti investment banks that manage international dinar bond issues are reluctant to tap the market.

For nearly a year after the crash, not a single new dinar bond emerged. Finally, in July, Kuwait International Investment Co. led a floating-rate note issue of 5 million Kuwaiti dinars for United Bank of Kuwait. Before then, with the capital markets in turmoil, new issues would have been "in bad taste," said Seraj S. al-Baker, deputy general manager of the Kuwait investment company.

Mr. Baker says that the United Bank of Kuwait issue proved that the market still works. But he concedes it is likely to remain quiet until the *souk al-manakh* affair is cleared up. The *souk al-manakh* crash is the latest interruption for a bond market that has grown in fits and starts since the World Bank offered the first dinar issue in 1968. That issue was a private placement. The first public issue, for the Philippines, came in 1974.

Since then, about 70 public issues have come to the market, raising a total of about 500 million Kuwaiti dinars. Among the borrowers are such

well-known corporate names as Occidental Petroleum, Banque Nationale de Paris and Mitsubishi Heavy Industries. Few of them had need of Kuwaiti dinars. Instead, they were attracted by low interest rates, normally two to three percentage points below those on bond issues denominated in dollars. The interest savings was more than enough to compensate for the cost of exchanging the dinars for another currency.

Another attraction is the stability of the dinar against the dollar. The daily fixings by the Central Bank of Kuwait closely track the dollar's performance. And Kuwait promises to have excess capital to invest overseas for years.

Bankers in Kuwait say the government remains committed to a local bond market. Just now, however, "the authorities have other concerns," a banker said. Some bankers think borrowers might resort to private placements until the public market revives.

One bull on dinar bonds is Spencer Coppard, manager of the fixed-income department at Arab Company for Trading Securities, set up in 1977 to develop a market for trading of seasoned dinar bonds. He says trading on the secondary market has picked up recently. He disagrees that the *manakh* crash is a problem. With the stock market nearly vacant, Mr. Coppard argued, "People, quite honestly, don't have a lot to do with their money."

The liquidity problem will not be as serious in Saudi Arabia, Kuwait, the U.A.E. and Qatar, where local banks hold foreign assets that can be redeployed to meet domestic requirements . . .



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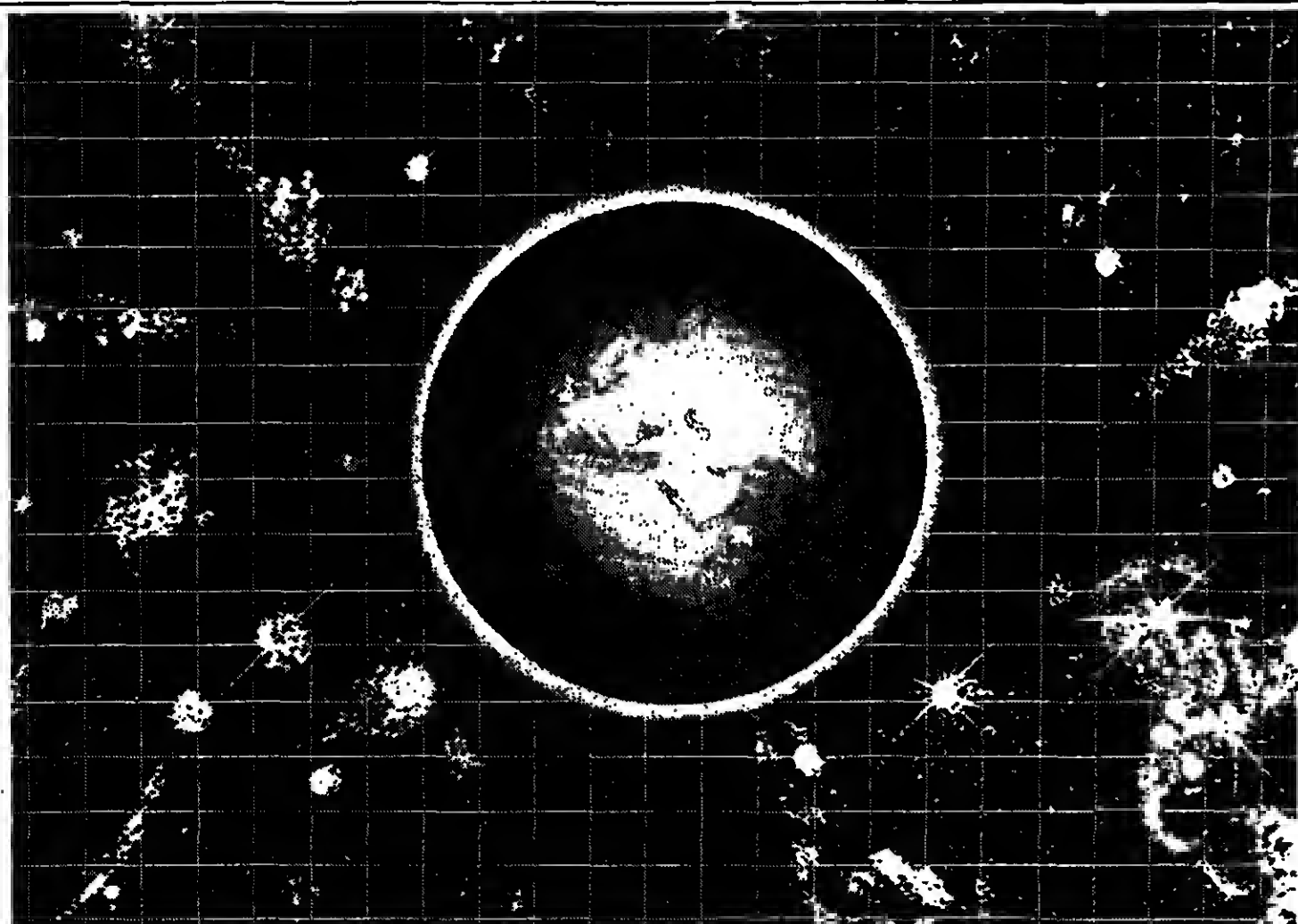
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## Arab Banking Corporation opens new horizons in international banking.

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ABC plays a major role in the international flow of capital with approximately US\$40 billion lead or co-lead managed in syndicated loans since its formation. ABC is also a leading participant in the international capital market having been a primary underwriter or lead manager in a number of significant floating rate note and floating rate certificate of deposit issues for major borrowers.

ABC also provides a comprehensive range of other investment banking services. In addition to its basic product lines — portfolio management, new issue management and secondary market trading — ABC has recently augmented its capabilities in the international capital markets by adding mergers and acquisitions and corporate and country advisory services.

ABC's investment bankers, backed by an international network, are capable of providing services on a worldwide scale for clients with particular interests in the Middle East.

Trade, project and construction finance, designed to clients' specific requirements, further strengthens ABC's ability to provide its customers with a full range of international financial services.

With an equity of US\$965 million at December 31, 1982 and total assets of over US\$7 billion, ABC has a solid base for continued growth and expansion of its international network and services to its customers.

**The Bank with performance and potential.**

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Branches and subsidiaries in New York, London, Singapore, Milan, Frankfurt and Monte Carlo.



## How the Kuwait Banks Fared

(Continued From Preceding Page)

contractors, for example, were using their advance payments to play the stock market.

At the start of the crisis, the government, concerned about the banking system, quickly channeled \$1 billion into the banks. The additional liquidity helped bring down interest rates considerably. Further liquidity has been injected since through bonds issued by a compensation fund for small investors.

More significant and protective for the banks were the support measures the government gave to the official stock market. Share

prices had fallen precipitously on the Kuwait exchange, so the government began buying small lots of prime stocks. Until the end of last year, about \$1.7 billion had been spent. Purchases are continuing at the rate of \$3 million a day. Many analysts are wondering what is going to happen when this aid ends.

Despite these measures, the banks' situation was sufficiently worrying last summer for the government to pass a law this year cutting the premiums on forward shares. Most observers believe that pressure from the Central Bank forced the government to go ahead with the legislation over the objections of the minister of finance and planning, Abdul-Latif Yousef al-Hamad.

Failures in the second tier of investors are likely to be evident in 1984's balance sheets. By then, the Kuwaiti banks are expected to turn to their reserves, although some bankers say that the additional provisions for bad debts will come from new income instead.

This is likely to mean that Kuwait's banking system will experience a leaner period of growth in the next two years. In previous years, profit growth had averaged 53 percent in 1981 and 34 percent in 1982.

Not surprisingly, the repercussions of the stock market crash have dampened demand for credit. Since March 1983, credit to the private sector has declined. Bankers say that demand for letters of credit has declined by about 2 percent, or shown no growth at all, an unknown trend in Kuwait.

Deposits also are flat at \$14 billion. Of that, \$10.5 billion was in time deposits, and \$3.6 billion was in government deposits. However, this domestic stagnation has contrasted with a surge in international activity by Kuwaiti banks.

This year, the National Bank of Kuwait, Kuwait's largest bank, was involved in management or co-management status with eight international securities issues, and 11

syndicated loans totaling \$1.17 billion. The National Bank of Kuwait also opened representative offices in London and Singapore. The London office is being upgraded to full deposit-taking status.

As long as the *manakh* crisis lingers, prospects for a jumbo merchant bank, the Kuwait International Bank, are dim. But knowing Kuwait's resilience and its powers of recovery, it should not be counted out.

Despite any sluggishness, Kuwait has avoided sharp cutbacks or cancellations of major projects, but overall government expenditures will rise a modest 6.6 percent this year — an austerity budget for Kuwait.

Analysts say most of the sluggishness can be traced directly to the crash of the *manakh*, not to a decline in oil revenues.

Theoretically, Kuwait faces a budget deficit of \$2.4 billion. Expenditures in the current budget period are expected to run to \$12.7 billion against \$10.3 billion in revenues. But the deficit is purely technical, because the state counts only oil revenue as income; investment revenue is excluded. (Kuwaiti law also requires that 10 percent of the oil income be put into a reserve fund for future generations.)

In part because the private sector relies largely on the government to fuel the economy, business has been sluggish. Also contributing to the decline were restrictions on trade imposed by Iraq, which has been a traditional re-export market for Kuwait. But, more than any other factor, the stock market disaster has been responsible for the stagnation.

Some bankers hope that the next government budget, in June, will be large enough to perk up activity and confidence. Other bankers think such a move could be a big mistake.

"There has to be a lot more bloodletting before the lessons of the *souk al-manakh* are really learned," said the general manager of a Kuwait bank.

# Arab Investment Group

## Investment Bankers

Main Office  
55 Giza Street, Cairo.  
Tel: 723759 / 729248  
Tlx: 93769 ESDCO

هكذا من النجف



## BANKING AND FINANCE IN THE ARAB WORLD

### Egypt: Workers' Remittances Spur the Economy

By Olfat Tohamy

CAIRO — Paying higher interest rates on deposits seemingly has enticed Egyptians working abroad to send more money home. That windfall, coupled with tourism revenues, has provided the foreign exchange necessary to finance imports.

The transfers of capital from more than 1.5 million Egyptians working mainly in Gulf oil states rose from \$520 million to \$1,053 billion during the fiscal year ending last June.

The private unauthorized dealers attract a considerable portion of capital transfers because they offer the highest exchange rates on foreign currencies based solely on supply and demand. The rate per dollar exchanged outside the banking system exceeds by about 40 percent that set by the Central Bank of Egypt and considered binding to all banks operating in Egypt. It also exceeds the incentive rate offered by banks of about .82 pounds per dollar and the fixed official rate of .70 pounds per dollar, a rate only

used in intergovernmental dealings. Many local analysts accuse the foreign banks of having made only modest contributions to the economy, confining their activities to short-term trade financing through the issuing of letters of credit and helping the government cover a net deficit of 1.5 billion pounds last year.

The foreign and joint banks, all of which can be classified as commercial banks, have generally refrained from medium- and long-

term financing for private-sector projects. With the four public-sector banks concentrating investment in government securities, and the other banks providing less than one-sixth of their loans with a maturity of more than one year, the banking system is adding to obstacles facing serious private investors.

A recent study carried out by the Central Bank listed a number of foreign banks including American Express, Citibank, Bank of America and Lloyds International, who

have transferred abroad a total volume of liquid assets exceeding several times their capital. Abdel Aziz Hegazi, who was prime minister when foreign banking was introduced in Egypt, believes that the study indicates that these banks have opted for assured profits outside Egypt because of the unpredictability of the Egyptian market in which rules governing private investment remain vague and unstable.

Mr. Hegazi sees the estrangement and isolation of these banks in the midst of dominating public-sector banks and increasing government control as the principle reasons behind their limited role in the economy.

"This question should be addressed to the policy-makers," he said. "Have these banks been involved in putting together the development plan, and have they been entrusted with certain development projects? Facts are that 80 percent of the projects are government-controlled, and the rest have not been studied seriously. A fair judgment of the performance of these banks should take these crucial questions into account."

As part of a series of measures aimed at reducing the money supply, the government has set 65 percent of deposits as a ceiling for credits offered by all banks to orient private investment toward agriculture and industry rather than trade. The result raised the volume of frozen assets at banks from 500 million pounds to 600 million pounds in a few months, reflecting resistance to borrowing from the banks at the rates set by the government and a continuing preference for quick, high-yield trade operations.

The policies of raising interest rates and allowing private banks to set fluctuating competitive rates for foreign exchange, bringing them closer to the free market rate, have raised the volume of Egyptian



Employees at the counting table at the Bank Al-Saudi Al-Fransi in Jeddah.

### Cairo Capital Market: Stimulation Is Needed

CAIRO — Egypt's once-thriving capital market has not been able to shake the stagnation that followed socialist nationalization of virtually all Egyptian business more than two decades ago. And, although the capital market has grown, though at a snail's pace in recent years, analysts say it will not progress unless the government takes active steps toward its development.

Capital market activities currently are focused on buying and selling shares and a limited number of government bonds at the stock exchange. Egypt's exchange was revived five years ago to encourage private and foreign investment. By the end of last year, 113 companies had registered with capital amounting to less than 600 million pounds. In the first decade of the century, Egypt's exchange had 230 companies.

Experts believe there is a lack of awareness among Egyptians of the potential for profit offered by capital market investments. Analysts also point to the restraints of an economy geared to short-term investments and lacking in incentives and they note that the banking system is incapable of contributing to growth of the capital market.

Egypt relies on a few investment companies to perform the functions of investment banks. The companies operate with varying degrees of specialization and sophistication. Analysts say efforts to expand and diversify capital market activities are badly needed to develop the private sector. They would like to see the channelling of small savings as well as capital transfers from Egyptians working abroad to productive medium- and long-term investments. Many analysts also believe that government involvement, through the issuing of shares, bonds and certificates, among other instruments, could stimulate the market to a great extent.

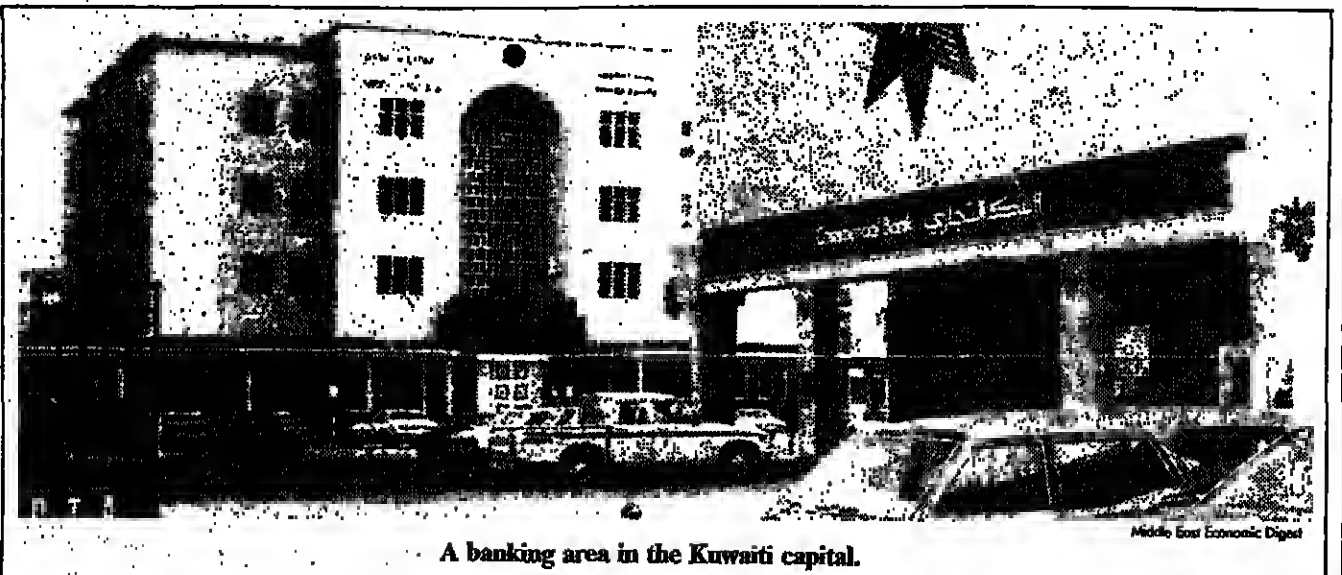
Hamdy el-Emary, the manager of a leading financial firm, says a number of factors hamper the functioning of the capital market. He includes among them the government's financial policy and its ambiguous regulations, which he says cause uncertainty among both investors and market professionals. Furthermore, he says, subsidized interest rates offered by official credit institutions to finance certain economic sectors make those firms that are capable of issuing securities for capital formation or of using long-term instruments reluctant to do so.

Mr. Emary also says that Egypt has a shortage of skilled professionals. "The commercial banks that presently dominate the financial scene are not equipped to handle all activities related to the capital market," he said. "Their function is different, and it would be unfair to expect them to carry out this burden particularly with the present scarcity of trained human resources in the field of investment banking."

Other factors related to prevailing economic conditions, which seem unlikely to change in the foreseeable future, he says, include a rate of inflation of more than 20 percent. This is compounded by low income levels, and the lack of traditional debt and equity instruments, he says.

The present government's policy indicates a continuation away from competition or confrontation with the private sector and a shying away from issuing bonds as a means of reducing the deficit. A public sector law amended lately prohibits selling shares of government-owned companies to individuals, and there seems to be no indication that the government will issue new bonds, with the market price of the ones available dropping below their nominal value.

—OLFAT TOHAMY



A banking area in the Kuwaiti capital.

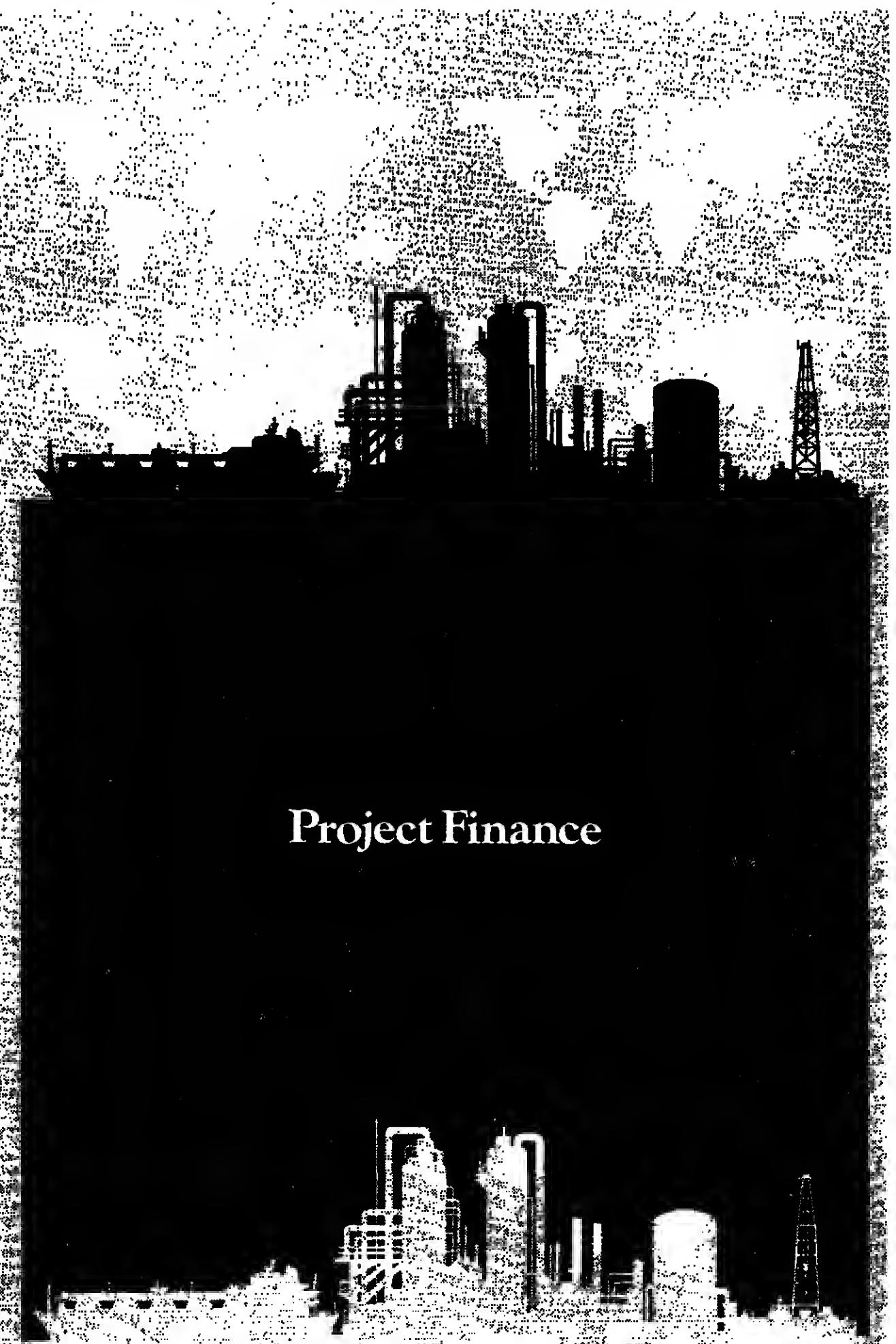
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## Strife Undermines Hopes for Beirut As Banking Center

By Robin Wright

BEIRUT — As gunfire rang out just a few blocks away, the general manager of a prominent foreign bank in Beirut queried: "How long is this interview going to take?" With the dropping of a military helicopter overhead almost drowning out his words, he explained that his concern was not about the latest phase of fighting. "I have to get to the food shops before they close," he said, worried that the fighting would spread before he could get there. "I've already let the rest of my staff go."

The general manager, Alex Gillibrand, of the British Bank of the Middle East has lived through three of Beirut's eight years of chaos and violence. One year ago he and his wife were driving from east Beirut to the western sector when "there was a terrific explosion," he recalled, with disconcerting calmness. "The bonnet flew up, the windows were smashed, bits of the engine blew into the car." Seconds after the Gillibrands dashed for safety, their car was engulfed in flames. They had driven over a land mine.

Mr. Gillibrand returned to the office later that day, only to get caught in an outbreak of fighting, forcing him to seek shelter in the bank's headquarters for six hours until the streets became quiet enough to make his way home.

To be a banker in Beirut is to have nerves of steel, to be able to cope with the bizarre and to learn patience. It is also to make money.

Beirut has always excelled both at making money and at surviving the bizarre, factors that have enabled it to remain the heart of banking in the region. But now, for the first time, doubts are emerging among economists, bankers and diplomats about Lebanon's future as a center for trade and commercial institutions.

Throughout the period since the 1975-76 civil war, Lebanon's 91 banks thrived in the true tradition of the Phoenicians, despite the odds. Most of the multinationals they served fled to safer bases of operation in the Middle East. Inter-factional fighting ravaged the commercial district. Hundreds of thousands of their customers fled abroad.

Dangers to banks have been reflected in the fact that the Guinness Book of World Records lists the world's largest robbery as a 1976 attack on the Bab Idriss branch of the British Bank of the Middle East, for a loss of at least \$50 million, according to the Finance Ministry.

Many banks subsequently admitted paying out "protection fees" to armed militiamen, Christians and Muslims, Palestinian and Syrian forces. But banks also had built-in protection: They were vital to channel the estimated \$1 million a day from outside supporters and Arab backers to keep the factions in bullets and bread.

Even during the 1982 Israeli invasion, the banks did a booming business. The American Express Bank review reported that there was a record inflow of deposits to the banking system during the war in Lebanon. British Bank of the Middle East actually managed to open two new branches in Beirut in July, at the height of the siege.

The strength of the Lebanese pound was seen in the fact that there was never a black market nor a flight of capital. A surprising number of banks managed to stay open, even in west Beirut, where they operated by candlelight occasionally because of a lack of electricity.

Two years ago, a Bahraini cabinet minister remarked, "No other Arab city could take away Beirut's banking position, even if it were pulverized by one thousand wars."

At the time, Bahrain's offshore banking system was becoming increasingly competitive with Beirut. But now, doubts are being voiced. "I think banks have fallen into the same trap as almost everyone else here, having developed over-optimism," said Rolf Kleinlein, general manager of Al Mashrek Bank. "Because of certain political realities, it has not been justified."

Banking activity was down at least 30 percent during the first half of 1983, according to a Western commercial attaché. And seven banks are reportedly in trouble, although Lebanon's Central Bank is good at helping disguise problems to allow time to sort them out.

Beirut's banks also have lost much of their allure since the days when Lebanon was the Switzerland of the Middle East, attracting business with liberal laws, and offering a style of living that was both easy and exotic and communications facilities that were the best in the region. Arab investors particularly have moved money to Bahrain and to European banks.

"Arabs still like this country and would like to come back to the place where they can sit in the mountains and speak the language, instead of being stared at in London and Paris; but financially, they've gotten used to Frankfurt and Paris and Zurich," Mr. Kleinlein said.

There are still grave doubts about Lebanon's future stability, with banks and businesses trapped in a system of operating between cease-fires.

The Lebanese economy has be-

come the victim of the political situation, which has been deteriorating since the turn of the year and which finally exploded in August into what many Lebanese and diplomats had feared might be the beginning of a new civil war.

Lack of confidence in the government of Amin Gemayel has eaten away at the economy, gravely affecting the banking system, Lebanon's only real success story in the era of anarchy. "If this lasts for another six months, the country is in serious trouble — if it is not already," a leading foreign banker said before the September cease-fire.

One year after the end of the Israeli invasion, Lebanon's reconstruction has not taken off, except for emergency aid measures. Mohammed Atallah, chairman of the Council for Development and Reconstruction, estimated that it will take \$15 billion over the next decade to put Lebanon's infrastructure back together. So far long-term funding has been limited.

The majority of reconstruction aid was expected to come from the rich Gulf states. But Lebanon's Arab allies have said they will not hand over one cent until foreign forces, notably the Israelis, are out and the Lebanese have regained authority over the entire country.

That, in turn, has affected the dozens of foreign special-interest groups, industrial consortiums and multinationals that flooded Beirut last fall. They have delayed their projects, waiting for the Arab input to launch a mimiboom.

But the year of waiting has been felt. Industrial production in Lebanon is down by about 40 percent, according to commercial attachés. Few new jobs are being created. In fact, several major employers have recently announced planned cutbacks, among them more than 400 layoffs at Trans Mediterranean Air Cargo and 300 at the Elernite cement plant.

Chamber of Commerce figures show that exports were down 48 percent in the first half of 1983, compared with a troubled 1982 during which the airport closed for four months and fewer ships were willing to risk using Beirut's port.

Recent fighting also has affected transshipments to other Arab states, such as Syria, Jordan and Iraq and the Gulf. In addition, Lebanon deeply fears an economic boycott such as the one that occurred when Saudi Arabia refused to accept many items from Lebanon after a shipment of avocados and strawberries arrived in Jeddah from Lebanon still bearing their Israeli labels.

Saudi Arabia buys roughly 60 percent of Lebanese exports, so the move was a major blow. Although Lebanese mediators partly won their way back into the Saudi pocketbook, there are now fears from the other end of the political spectrum.

In early September, the pro-Moscow Syrian government called for economic sanctions by the entire 21-nation Arab bloc against the Christian-led Lebanese government because of its intransigence over Muslim political demands.



Crew of a Santa Fe oil rig at work in Saudi Arabia.

The Syrian government filed a formal petition with the Arab League in Tunisia.

That would have been a major blow. Arab trading partners account for more than 90 percent of Lebanon's trade. Awareness of possible future embargoes has led the government to open negotiations with possible new export outlets, most notably in the East bloc, for agricultural products, textiles, metals, chemical products and electrical equipment.

The Lebanese economy has also been deeply hurt by the de facto partitioning of Lebanon by Syrian and Israeli occupying forces, which control roughly 80 percent of the country. Merchants in the southern quarter, behind the Awali river now under Israeli occupation, have turned increasingly to Israeli goods, which are more accessible and for which delivery is guaranteed. Others are importing through the Israeli port of Haifa. Diplomats and agencies based in the south predict that the longer the Israeli stay, the more the southern sector will be integrated into the Israeli economy and divorced from the Lebanese economy.

The government is further hindered by its inability to collect taxes, which many residents have avoided paying for eight years. The Phalange Party has been far more effective in collecting its own 4 percent tax from restaurants, businesses and service stations in Christian areas than the government has been in the small area under its jurisdiction.

One of the few sources of revenue are import duties and charges at the port and international airport. Before the civil war, these fees used to account for more than 45 percent of revenues. In the eight-year interim, the figure has fallen to less than 15 percent, mainly be-

cause militias of all political shades set up their own illegal ports along the Mediterranean coast, where they charged lower fees and, thus, stole much of the government's business. Lebanon became the most popular offloading port in the region for smuggled and pirated goods — from lentils to steel — since militias were not concerned with such things as honest bills of lading.

The economic stagnation has made it difficult for the banking system to continue its boom. After the Israeli invasion ended, banks began building up their financial sources for the expected rapid economic growth and reconstruction. This resulted in fierce competition, with little consideration of profitability, according to several banking officials.

But then there was a scarcity of safe projects for investments beyond short-term financing of trade and construction, some real estate, treasury bills and, as a last alternative, currency speculation. Treasury bills account for up to 30 percent of all bank deposits, according to Finance Ministry sources. The government has resorted to borrowing from the banks to offset its deficit of \$830 million in the 1983 budget, or roughly one-third of its total budget.

Economists and bankers said that it would take a major turn in the political situation to restore even the modicum of stability required for the Phoenician spirit to re-emerge. "Last year [during the Israeli invasion], people were being killed," Mr. Gillibrand said. "Today, hope is being killed."

And, as a major industrialist said, "The stage we have always feared and worried about has been reached."

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## BANKING AND FINANCE IN THE ARAB WORLD



Tank construction at Kuwait's Mina Abdullah refinery, left, and banks in Kuwaiti capital.

## Iran Economy Shows Signs of Recovery

As a major oil producer, Iran, though not an Arab nation, is a significant force in the overall economy of the Arab Middle East.

By Dilip Hiro

LONDON — Iran continues to baffle the world. It refuses to collapse, economically or politically, a fate most observers abroad believed awaited it.

Since its founding in February 1979, the Islamic republic has survived several political crises, violent ethnic rebellions, crippling economic boycotts and a long and costly war with Iraq. Today, Ayatollah Ruhollah Khomeini's regime seems more self-assured than ever. The political scene is fairly peaceful, and the economy is looking up.

This means that with its previous gold and foreign currency reserves, Iran's total foreign reserves amounted to \$9.5 billion at the end of its financial year last March. In contrast, foreign debts were \$600 million, a steep fall from the \$10 billion owed when the Shah was overthrown in January 1979.

"We have reached a point where we are being offered credit by some British companies," said Mr. Nourbakhsh. "But Iran does not want to enter into fresh foreign debts."

Mr. Nourbakhsh revealed the foreign trade figures at an economic seminar on Aug. 27. But Western diplomats in Tehran had seen indications earlier that Iran's bank balance was rising. Starting last spring, West European and Japanese business executives began arriving in Tehran in droves. "With the Americans and the French out of the way, we're going to cut up this Iranian cake among ourselves," a West German businessman confided at the time.

That this was no idle boast be-

came apparent when 13 West European countries participated in the International Trade Fair held in Tehran from Sept. 10-21. France was not invited. A total of 32 countries participated, leaving Tehran's hotels overbooked for the first time since the revolution.

West Germany offered all the Iranians are seeking: Agricultural machinery, construction equipment, machine tools and medical equipment.

More than 100 British companies attended the fair. Austria was also strongly represented. (Iran is Austria's second largest trading partner, next to the United States.)

Lots of Iranian businessmen are interested in our equipment," said a British industrialist at the fair. "They say they have got the money. There seems to be a lot of action about in Iran."

The prime source of this "action" is oil. Income from oil sales for the year ended last March reached a record \$23 billion. Officially, oil output is running at 2.4 million barrels a day, a shade below

the quota for the Organization of Petroleum Exporting Countries. Unofficially, the figure is put at 3.2 million barrels per day.

With 700,000 barrels a day consumed at home, the government has 2.5 million barrels per day available for sale abroad — enough to earn \$27 billion in foreign currencies during the current financial year.

Of this, 450,000 barrels a day are going to Japan, by far the most significant buyer of Iranian oil. Other buyers, in order of importance, are Italy, West Germany and Romania.

Not surprisingly, last May, a Mitsui-led Japanese consortium agreed to resume work on a \$3.5-billion petrochemical complex at Bandar Khomeini, a port that has been out of action since late 1980 because of the Gulf war. Recently, Japanese firms were awarded contracts for the construction of oil depots in the war-ravaged city of Khorramshahr.

This is an indicator of the faith (Continued on Following Page)

## 2d Year of Recession After Decade of Growth Challenges Jordan's Banking System

By Rami G. Khouri

AMMAN — The Jordanian banking system, which took advantage of the sustained economic growth of the country during the last decade to grow at an annual rate of more than 20 percent, measured by deposits and loans, is facing a new challenge as the country moves into its second year of recession.

Initial indications of the banking system's ability to meet the financing requirements of local companies are largely positive. This reflects the traditional formula of entrepreneurial private banks working closely with an activist Central Bank and several state-owned specialized credit institutions to respond to the needs of all sectors of the economy.

The most dramatic recent development in Jordanian banking has been the proliferation of new institutions. In 1978, the banking system consisted of 13 old-fashioned commercial banks, mostly living off overdrafts and trade financing, and the six specialized credit institutions catering to the needs of industry, agriculture, housing, municipalities and cooperatives.

The banking system's total assets and liabilities in 1978 were \$31 million dinars (\$2.5 billion). Today, this has reached 2.1 billion dinars, but more importantly, it includes 16 commercial banks, five finance companies, 10 Islamic banking institutions, two investment banks, four savings and loan associations, 35 insurance companies and a handful of pension and social security funds.

Many new institutions have been established both to handle the large sums of money in the economy and to cater to the increasingly sophisticated and specialized financing requirements of Jordanian companies.

The money supply during the last decade increased at an unusually high annual rate of more than 30 percent, reaching 1.4 billion dinars by the end of 1982. But the rate of increase has slowed in the last year to an annual 14 percent, reflecting the economic slowdown that is primarily due to a \$39-million shortfall in anticipated Arab financial aid this year.

The banking system, stimulated by the new finance companies and investment banks, has introduced into Jordan a range of novel financial instruments that have been eagerly adopted by the buoyant industrial and service sectors. Most noteworthy of these are the locally syndicated, medium- and long-term Jordan dinar loans, bonds issues, syndicated guarantees, and, to a lesser extent, negotiable certificates of deposit. The

equities and securities market has also developed with the establishment of the Amman stock exchange in 1978, and the underwriting of new share issues has emerged as an active sector of the financial system.

The first local dinar syndication at the end of 1978 launched a chain reaction that has since seen more than 35 syndications put together, for a total value of 102 million dinars. Bonds issued on behalf of government corporations and public shareholding companies are worth 53 million dinars. The latest development, encouraged by the Central Bank of Jordan, has been the provision of "package deals" that typically include a syndicated loan and a bond issue, underwritten and managed jointly by a group of local commercial and investment banks, often with the funding participation of some insurance companies and pension funds.

Syndications typically carry an annual interest rate of 10 1/2 to 11 percent, while bonds go for 8 1/2 to 9 percent but have the additional

attraction of being tax-exempt. Syndications and bonds were especially attractive in the days of 20-percent interest rates in the Euromarkets, when several Jordanian firms refinanced outstanding dollar-denominated Euroloans with local dinar loans that carried a lower interest rate and also lacked the foreign-exchange risk inherent in dollar borrowings. The Central Bank of Jordan has also spurred local syndications by refinancing 40 to 50 percent of the participations of local banks in medium- and long-term syndications.

Mohammad Said Nabulsi, the governor of the Central Bank, has recently imposed a moratorium on the licensing of any new banks or finance companies, preferring to allow the established companies in the financial sector to consolidate their positions. He has also continued the Central Bank's five-year-old policy of adjusting interest rate ceilings, credit-deposit ratios and minimum reserve requirements to respond to

short-term liquidity squeezes in the economy as a whole. Commercial and investment banks' minimum reserve ratios were lowered by 1 percent in July (to 10 percent on demand deposits and 7 percent on savings deposits), to counter a tightening of liquidity that has been felt since the beginning of the year. The Central Bank is also working closely with banking institutions to monitor demand for new syndicated loans and bonds, with a view to spacing out such issues so as not to further squeeze the liquidity situation.

The slowdown in the economy, which is expected to continue through next year due to the reduced Arab aid levels, has not hurt banks' lending prospects. Outstanding commercial bank loans have grown during the last year at an annual rate of 15 percent, a healthy performance though a drop from the 20 percent annual growth registered in the last decade. Total outstanding commercial bank loans were worth 997 million dinars in June of this year, although about 60 percent of commercial bank lending goes to the trade and construction sectors. The specialized credit institutions fill in the gaps, particularly in agriculture and industry.

The banking system's traditional concentration in the Amman district is being rectified steadily, as Jordanian banks continue to open branches throughout the provincial areas of the country. This trend, coupled with some new marketing and promotion techniques, has significantly increased the number of individuals and small firms that use the banking system and has helped offset the spillover of the general recession in Jordan into the banking sector.

The next move by the Central Bank of Jordan will be to require all foreign banks operating in the country to adjust their equity structure to put at least 51 percent of ownership in Jordanian hands. A directive to this effect is expected to be issued within the coming months, and the foreign banks — including Citibank, Chase, BBME, Grindlays and BCCI, among others — will have three years to make the change. The foreign banks will be able to maintain their present equity level in absolute figures by increasing the total equity base of their banks in Jordan and offering the new shares to Jordanian buyers.

The foreign banks will continue to be able to repatriate all their profits under the new regulations, which bring banks in Jordan in line with the same regulations that have applied to all other foreign commercial establishments since 1967. Insurance companies are not expected to be included in this change, Mr. Nabulsi said.

## Bahrain Hopes to Create a Stock Exchange

BAHRAIN — Deep inside the Ministry of Commerce and Agriculture, two functionaries sit listlessly before their telephones.

They wait for calls from stockbrokers reporting on the price and volume of share trades, then send the information to computer terminals in the offices of all 19 Bahraini brokers participating. After two hours of trading on a recent morning, three transactions have been recorded.

Out of such humble beginnings, Bahrain hopes, stock exchanges take shape. This simple information service, begun on Aug. 14, is an interim measure. The Commerce Ministry hopes to have a trading floor open in the first half of 1984. Eventually, it hopes to list foreign as well as local shares.

The stock exchange plan fits in with Bah-

rain's aim to make itself the financial center of the Middle East. But the Bahrainis do not have the idea to themselves.

The United Arab Emirates also has announced plans to open a stock exchange, and Kuwait is devising new rules to revive its stock market, which has been inert since a frenzy of speculation ended in a crash last year.

Bahrain is trying to profit from Kuwait's mistakes. Abdul Razak J. Zainalabedini, coordinator of the stock exchange project, said that the ministry was proposing to ban the use of postdated checks, a system that eventually undermined Kuwait's market.

Bankers generally welcome the effort to establish stock exchanges, but some think the Gulf countries are on the wrong track.

Among the critics is Khaled M. al-Fayez, general manager of the Bahrain-based Gulf International Bank. Mr. Fayez noted that the supply of shares available to the public in any of the Gulf countries is small: In Bahrain, for instance, the interim exchange lists about 30 shares, of which only about one-third are regularly traded. With such limited supply, Mr. Fayez argued, upward pressure on prices always will be too strong.

He said that the Gulf Cooperation Council — which is made up of Saudi Arabia, Kuwait, Bahrain, the United Arab Emirates, Qatar and Oman — should try to develop a regional exchange, with regulations strong enough to prevent a rerun of the Kuwaiti crash.

— BOB HAGERTY

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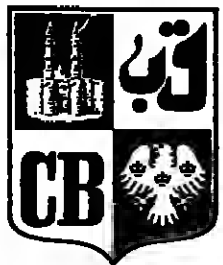


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## BANKING AND FINANCE IN THE ARAB WORLD

### Iran Shows Signs of Recovery

(Continued From Preceding Page)

the Japanese have in the future of the Iranian economy despite the burden of the war with Iraq.

Since the start of the conflict, the Iranian government has expanded its army from about 100,000 troops to 320,000 and its Revolutionary Guard Corps from 60,000 to 150,000.

Yet Iran's spending for defense is only about one-sixth of the total budget of \$44 billion. The government has been using captured Iraqi weapons to form new army and Revolutionary Guard units. Conscripts, who form about half the army are paid a stipend of about \$30 a month.

The current budget shows an increase of 22 percent in civilian spending over the past year. Agriculture gets top priority. The regime is committed to making Iran self-sufficient in food by the late 1980s through land reform and an increased use of agricultural ma-

chinery and chemical fertilizers. Last year's rice production exceeded that of 1978, the shah's final year, by 20 percent. Potato output was 50 percent higher and egg production grew by 120 percent.

Industrial statistics are far less impressive. After the revolution in early 1979, industry went into a tailspin after an exodus of an estimated 130,000 local and foreign managers and technicians and a shortage of raw materials, spare parts and equipment. Two years later industry still was running at less than half capacity.

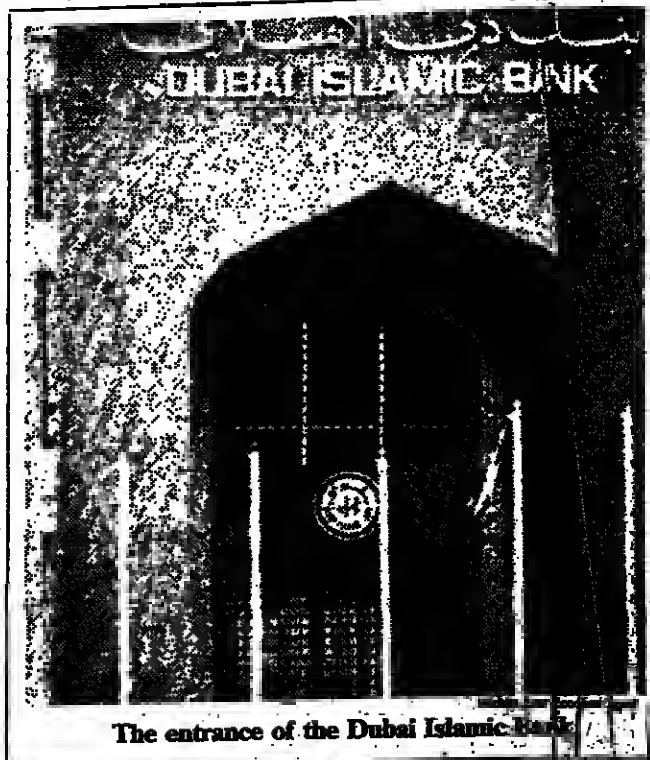
A rise in industrial production is reflected in larger imports of raw materials. Iran imports 75 percent of its industrial raw materials and 95 percent of its machinery. Last year total imports rose to a record 1.5 million metric tons, pushed by military purchases and 14 percent growth in industrial output.

Food items are imported through government trading agencies, an arrangement begun during

the shah's reign. As part of the foreign trade nationalization effected two years ago, nonfood items are now imported by the Ministry of Commerce's Centers for Procurement and Distribution, known as COPADs. There are 11 of these centers, each dealing with a category such as metals, plastics, chemicals, electrical goods, fabrics or fibers.

Using information and samples submitted by Iranian buyers of imported items, a COPAD selects two or three foreign suppliers on the basis of price, quality and delivery dates. It then either buys the item directly and sells it to traders specifying retail price or it lets the retailers' guild buy directly from a foreign supplier and divide imports among its members.

The procedure is designed to make the best use of the country's foreign exchange, and to dovetail the imports into Iran's overall industrialization plans.



The entrance of the Dubai Islamic Bank

### U.A.E. Public Spending Drop Depresses Industry

By Ann Fyfe

DUBAI — As the United Arab Emirates' economy is almost completely dependent on government spending and its spin-off, the withering in recent years of the government's spending power has depressed activity in all the main areas in which banking operations have traditionally been concentrated.

Increases in government spending were expected to slow in the 1980s with or without the war in oil revenue because infrastructural development since the emirates were united in 1971 was nearing completion. The Iranian-Iraqi war, another depressive factor, enters its fourth year this month.

Most U.A.E. banks achieved moderate growth in balance sheets and profitability in 1982. But the adverse factors are still present, and the 51 retail banks in the Emirates are faced with the long-term difficulty of finding new areas of activity to replace the old.

Oil income fell by 20 percent to 35 billion dirhams (\$9.5 billion) in 1982 from Dh.46 billion in 1981 and is expected to fall by at least a further 15 percent this year as a result of OPEC's decision in March to lower the market price for crude to \$29 per barrel. Abu Dhabi, the largest of the emirates, announced a 1983 budget of Dh.24 billion with a deficit of Dh.2.8 billion. The federation, after an eight-month delay

in reaching agreement, posted a 1983 budget of Dh.18.4 billion with a deficit of Dh.5.5 billion.

The reductions can be argued to be more apparent than real. Although Abu Dhabi's Development Program (that section of the Abu Dhabi budget set aside for projects) of Dh.6.3 billion appears to show a 12-percent fall compared with last year's Dh.7 billion, only Dh.5.7 billion of that 1982 allocation was actually spent, about 81 percent of the total and rather less than this year's allocation.

Similarly, total federal expenditure was budgeted at Dh.22.6 billion in 1982 but of that total only Dh.19.3 billion was spent, according to Central Bank estimates, a level of expenditure not far above this year's budgeted Dh.18.4 billion.

In both cases, however, the crucial feature is the tiny amount allocated to new projects. In Abu Dhabi only Dh.179 million was set aside for these out of the Development Program; 120 projects were canceled and cost-cutting of Dh.1.9 billion was ordered on projects already under construction. In the federation's case projects were allocated a total of Dh.1.7 billion this year compared with Dh.2 billion in 1982, but this year's total is devoted almost entirely to the continuation of existing projects and allows only Dh.4 million for new starts.

The low level of government expenditure in general and on new projects in particular has been the dominant aspect of the United Arab Emirates' economy for some years. Abu Dhabi, with the lion's share of oil exports, has in the past been shielded from the worst effects but has now begun to show the same symptoms — declining rents and hotel occupancy rates, payments delays and private sector cash-flow problems and even closures, and is suffering at a time when the northern emirates have recovered from the worst. All over the federation, companies have been cutting costs and laying off staff.

Staff redundancies are of critical importance to the level of activity in the Emirates' economy because of the federation's chief demographic peculiarity, the fact that the overwhelming majority of its population is composed of immigrants. Immigrant workers are not allowed to change their jobs; if without a job for any reason, they are obliged by law to leave the country.

Recent Ministry of Planning figures show that for the first time since the establishment of the federation, the growth rate of the immigrant population has fallen below that of the indigenous inhabitants. The importance of this radical change to the future of economic activity cannot be over-emphasized: in the United Arab Emirates, not only is the majority of consumer products imported, but

so is the majority of consumers. There is also a widespread feeling that personnel remaining in the Emirates are spending less, perhaps apprehensive of layoffs.

As a result of the general downturn in projects, in the size of the population and in consumer spending, and of the continuing Gulf war, imports into Dubai, the federation's main port and entrepot, registered their first fall in recent history in 1982, reaching Dh.18.9 billion, against Dh.19.7 billion in 1981. Re-exports also fell as a direct result of the war. Figures for the first few months of 1983 show the beginnings of an improvement, although they have not climbed back to 1981 levels and bankers agree that no substantial revival can be expected until the once-flourishing entrepot trade is freed from the effects of the war.

Construction and trade have always absorbed about 70 percent of all bank lending in the United Arab Emirates. The immediate result of the recession in both has been zero growth in demand for credit since the last quarter of last year, according to the Central Bank bulletin.

Most of the banks' 1982 annual reports did not yet show the full extent of the downturn — their consolidated balance sheets grew by 15 percent during the year — but 1983 has been a quiet year.

The lull in lending opportunities has occurred at a time when liquidity is relatively high. The severe

squeeze on liquidity, occasioned earlier by the combination of record interest rates on the dollar and political uncertainties in the aftermath of the Iranian revolution and the outbreak of the war, had discouraged deposits. At the end of last year, for example, the Central Bank advertised the previous statutory maximum rate that banks were allowed to offer on deposits up to Dh.5 million. It had previously penalized deposit placements with nonresident banks, principally the offshore units in Bahrain.

In addition, several of the locally incorporated banks increased their capitalization during 1982, some by more than double. Commercial Bank of Dubai raised its paid-up capital from Dh.15 million to Dh.200 million; Emirates National Bank's paid-up capital was increased from Dh.33 million to Dh.132 million; Emirates Commercial Bank raised its paid-up capital from Dh.62 million to Dh.126 million, an Federal Commercial Bank's was raised from Dh.50 million to Dh.110 million.

In the absence of opportunities in traditional sectors at home, and with the international syndications market in the doldrums, these banks are clearly faced with radical re-thinking. Many have already diversified geographically, adding

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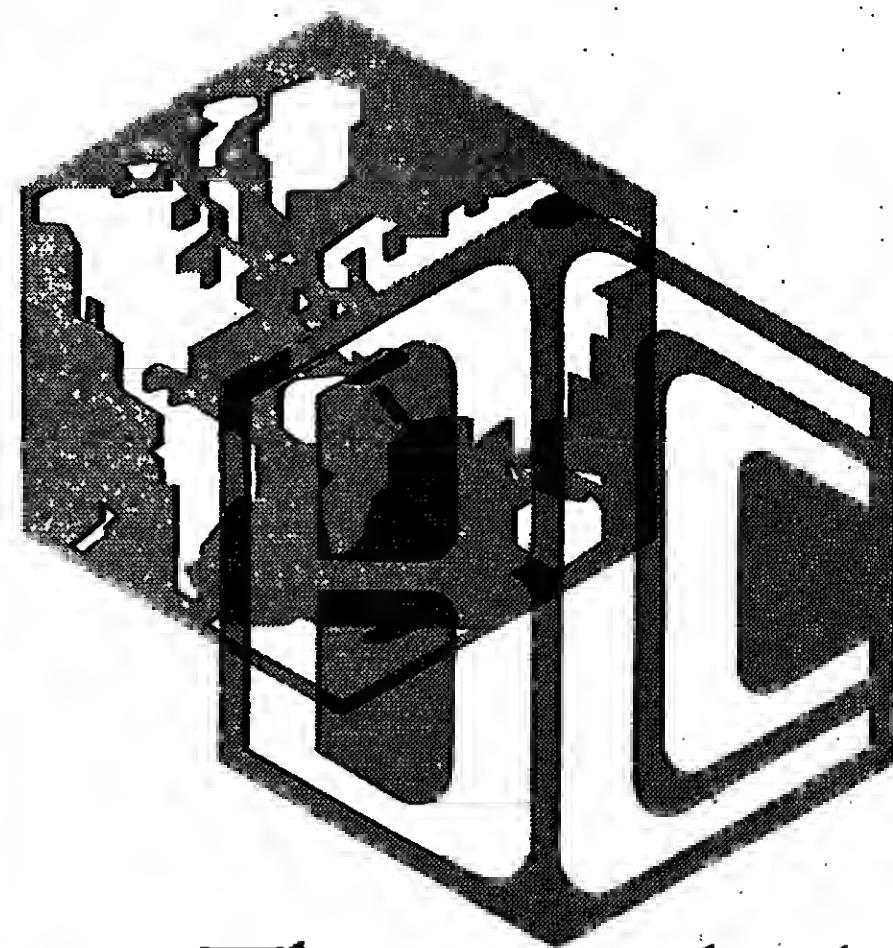
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# BANKING AND FINANCE IN THE ARAB WORLD

## Oman Gets Good Euromarkets Credit

By Robert Bailey  
LONDON — Oman, like Iraq, has turned to the Euromarkets this year for loans to help compensate for dwindling oil revenues. However, in contrast to the circumpect reaction of the market to the approach of its big neighbor across the Gulf, Muscat's bid received a relatively fast and highly positive response from the international financial community.

The willing nods of approval to Oman's \$300-million loan reflected trust in the successful management of the sultanate's monetary affairs. The latest report from the Central Bank of Oman, for example, refers to a "congenial banking atmosphere for growth and development." There is room for such self-congratulation since a steady growth of infrastructure has allowed a sustained expansion in the local financial market.

The oldest established — and second largest — commercial bank in Oman is British Bank of the Middle East. It is an indication of the dramatic changes that have occurred locally that for 20 years, almost to the end of the 1960s, BBME was the only bank in the sultanate. There are now 23 commercial banks with 140 branches as well as three specialist institutions — the Oman Bank for Agriculture and Fisheries, Oman Development Bank and Oman Housing Bank.

National Bank of Oman, which celebrated its 10th anniversary in February this year, is the country's biggest bank, with assets of more than \$500 million. Its main operations are trade financing, letters of credit and raising capital for contractors. NBO has 45 branches, including those in Abu Dhabi and

Cairo, and has applied to open more.

Bank of Credit and Commerce International and Bank of America have equity of 29 percent and 20 percent respectively in NBO, which raised its profits 70 percent in 1982 over the previous year to the equivalent of \$15.3 million.

NBO, like other local banks, has a policy of Omanization and has appointed two women branch managers. A more recent advent has been computerization. An improvement in telecommunications is allowing the use of money-market monitors and mini-computer systems to expand. NBO was one of the first computer users. Banque Paribas and Bank of Oman, Bahrain and Kuwait are among others also developing systems in their Oman operations.

The sultanate's economy, despite budgetary trimming, is, therefore, far from being in the doldrums. One of the main reasons that the budget deficit has been kept under control in the face of falling oil prices has been Oman's ability to increase production to 360,000 barrels a day from 330,000 and to sell the surplus — mainly to Japan.

The mood of bankers in Muscat has been described aptly as one of caution rather than pessimism. In an interview with the Middle East Economic Digest at the time of the Euroloan signing, Oman's ruler, Sultan Qaboos bin Said, said: "With the oil situation as it is, our five-year plan is going quite well. We have had to look very closely at our priorities, but basically there are no changes." He added, "We try to finance specific schemes ourselves, but if the private sector falls short of providing all the funds, and if we feel it is necessary, then we will go to the market. The economy is sound and people have no difficulties when they lend to us."

The \$300-million, seven-year loan signed on June 6 represented only the second time Oman has gone to the Euromarket. An alternative would have been for Oman to draw on its General Reserve Fund, which in the past has taken 15 percent of budget surpluses. Earlier this year it was believed to total the equivalent of between \$1.4 billion and \$2 billion.

The previous loan of \$150 million, in 1979, was lead managed by Gulf International Bank. The same bank, in which Oman has a 14.3-percent shareholding, was mandated to arrange this year's loan. The terms include 3 1/2 years grace and interest of 1/2 percent above Libor, the London interbank offered rate for the first two years and 3/4 percent above Libor for the last five

years. They compare most favorably with the 1 percent that Iraq is being charged for the entire period of its five-year loan.

The GIB-led loan attracted widespread Arab and international participation. Lead managing with GIB were Al Ahli Bank of Kuwait, Arab Banking Corporation, Arab Bank, Apicorp, Bank of America International, Bank of Bahrain and Kuwait, Bank of Tokyo, Chase Manhattan Capital Markets Group, Citicorp Capital Markets Group, Kuwait Foreign Trading, Contracting and Investment Company, Lloyds Bank International, Manufacturers Hanover Trust Company, Morgan Guaranty Trust Company of New York, Morgan Grenfell, National Bank of Abu Dhabi, National Bank of Bahrain, National Bank of Kuwait, National Bank of Oman, National Westminster Bank, Orion Royal Bank and Sumitomo Bank.

At the same time Oman Housing Bank successfully raised a \$44-million, two-tranche loan lead managed by Jordan's Arab Bank and Oman Arab African Bank. The first tranche is for seven years at 1 1/2 percent above the Central Bank of Oman maximum deposit rate. The second is for \$14.5 million and a further \$14.5 million in Swiss francs over seven years at 3/4 percent above the Bahrain interbank offered rate (Bibor).

The main \$300-million loan was oversubscribed, encouraging speculation that it might be increased to \$400 million. Although this did not happen it is thought likely that Oman will return to the market in the coming months to seek funds for specific infrastructure projects, such as telecommunications.



The international payments department of the National Bank of Abu Dhabi.

## U.A.E. Public Spending Drop Depresses Industry

(Continued From Preceding Page)

representation in North America, North and sub-Saharan Africa and the Far East to their long-established presence in the Indian sub-continent, but the worldwide nature of the recession will inevitably curtail the growth of the sector as well as geographic diversification. A few of the largest local banks are already entering the international capital markets, and this trend can be expected to gather momentum.

The dilemma of how profitably to employ funds has also coincided with moves by the Central Bank to encourage locally incorporated retail banks as opposed to the foreign banks in the United Arab Emirates.

At the end of 1983 the deadline expires by which the foreign commercial banks must have cut the number of their U.A.E. branches to eight each. To date, this 1981 measure, issued when the foreign banks' branches outnumbered those of local banks by 219 to 128, has been the only concrete innovation curbing the foreign retail banks' presence, but in the open-door atmosphere that prevails in the federation it amounted to a major policy shift. It had brought the number of foreign branches down to 186 out of a total of 323 by the end of 1982, according to the Central Bank. Four more foreign banks operate on restricted


licenses in the Emirates, confining their activities to the money markets; there are also 14 representative offices of foreign banks, and the governor of the Central Bank is on record as saying that these are still welcome.

Other factors contributing to the slight change in environment for the foreign banks have been more nebulous. They include a press debate on the pros and cons of localizing them, a debate that was fairly widespread earlier in the year but has died down, the reiteration to the foreign banks of various regulations on capital and ratios, and tentative discussions initiated by one of the Abu Dhabi institutions

on some form of partnership with some of the foreign banks, moves that came to nothing.

When they were at their height, these moves, coupled with a new climate in company and labor legislation, gave rise to a certain amount of gloom in the foreign banking community. If they are ever revived, however, the political issue of the future for foreign banks in the United Arab Emirates will not be resolved quickly; the free-enterprise and open-door values have staunch and powerful supporters at the highest levels. For the present, foreign bankers like their local counterparts are more concerned with the general low level of economic activity than with possible long-term changes in the climate.

It is by no means easy to predict where the federation's retail banks will in the end find the new areas of activity to compensate for the eclipse of their historical mainstays. An end to the Gulf War is anxiously awaited. In the meantime, they have little hope of an upturn in the domestic market for their services, beyond the spin-off from a few oil-related developments planned for the northern emirates. They can be expected to show greater interest in investment-banking activities internationally or face a period of considerable retrenchment.



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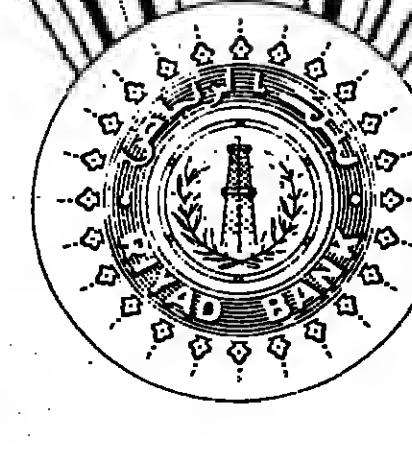
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"İş," as in Turkish, means business.



## BANKING AND FINANCE IN THE ARAB WORLD

## Oil Revenue Decline Shrinks Qatar's Development Funds

LONDON — Development funds have rarely been in short supply in Qatar except during short periods when the government has abruptly halted its spending to curb inflation.

Today, however, it is not only the flow of finance that has slowed down but also long-term confidence in this tiny Gulf state, which has one of the highest per-capita incomes in the world and foreign reserves estimated at \$14 billion.

Oil sales account for 90 percent of Qatar's income. A year ago oil production reached its lowest level in 10 years, at 300,000 barrels a day.

This year it is likely to be even lower, with the result that revenues will be down probably to \$2.4 billion, compared with \$3 billion in 1982.

The effect of reduced earning potential from oil sales has been traumatic. Revenues fell 15 percent in 1982 and the response of the ruler, Sheikh Khalifah bin Hamad al-Thani, and the Finance and Petroleum Ministry, was direct and uncompromising. Spending has been cut by 30 percent and payments for existing contractual work have been delayed.

The mood of despondency among the expatriate community has grown in direct proportion to the size of overdraws and slowdown in new work.

For the foreseeable future Qatar's economy is likely to remain in low gear. The only large-scale work in the offing is related to a power and desalination project at Wusail, 40 kilometers (24.8 miles) north of the capital Doha, and contracts associated with a new refinery at Umm Said, south of the capital.

The longer-term picture is clouded not just by the uncertain vagaries of world oil prices but also the economic viability of exploiting the huge North Field offshore reserves of non-associated gas.

When a decision is made to go ahead with the estimated \$6 billion investment needed to develop the liquefied natural gas project envisaged by British Petroleum and Compagnie Française des Pétroles international loan financing will be needed.

But the overall project seems likely to remain in abeyance for some time. While the project will be a tremendous boost to the faltering economy international markets have yet to be clearly defined for an export of Qatar LNG.

All recognize that leaner times are ahead. Ironically, in spite of the belt-tightening Qatar's banking sector has recently expanded.

Qatar Islamic Bank, the country's 14th licensed bank, opened for business in July. Another new bank, Qatar Al-Ahli, has also been given permission to open. The biggest commercial bank, Qatar National Bank, is local and has a 50-percent government shareholding.

It increased its profits 10 percent in 1982. The aggressive Doha Bank, backed by major local institutional shareholders, saw its profits rise by more than 30 percent.

Commercial Bank of Qatar is the only other locally owned bank.

While the 11 foreign-owned banks have seen business decline under the impact of growing local competition and from Bahrain offshore banking units, they play a major role in the economy.

They are Arab Bank, Bank Al Mashrek, Bank of Oman, Bank Saderat Iran, Banque Paribas, British Bank of the Middle East, the Chartered Bank, Grindlays Bank and United Bank. British names are among the oldest and most active branches in Doha.

France's Banque Paribas is a more recent arrival

and reflects the increase in French exports to Qatar in recent years, particularly of engineering services and armaments. Citibank, in Doha since 1970, provides a U.S. presence.

As domestic opportunities prove increasingly elusive more overseas involvement is a likely path of development for the locally incorporated banks. Qatar National Bank, which handles a substantial proportion of government deposits, has three foreign branches two of which are in London and a third, in Paris.

Doha Bank has established a New York branch. The uncertain domestic situation has also been clouded by a series of reverses for Doha's money changers. Since October 1982 the 30 practitioners have been legally bound to limit their activities to trade in foreign currencies, travelers checks and dealing — solely on their own account — in precious metals. The regulations on this followed the demise of the International Finance and Exchange Corporation as a result of its falling victim to overexposure after heavy speculation in precious metals.

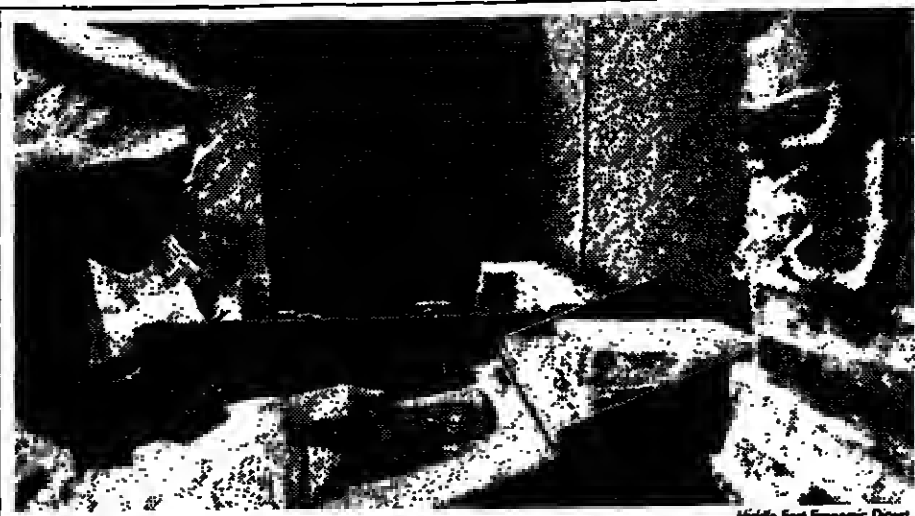
Supervision of the banking and financial structure is conducted by the Qatar Monetary Agency, which acts as the central bank authority. The new regulations were an indication that closer scrutiny was to be made of the country's banking sector, which has been traditionally noted in the Gulf for its liberal environment. But as in other aspects of the economy more detailed attention needs manpower. In a country with only 270,000 people, of whom not much more than 20 percent is indigenous, there is no ready pool of Qatari skills let alone financial management expertise.

The most persistent and perhaps unjust criticism of the QMA is that it is responsible for the economy's periodic shortages of liquidity. An unyielding policy, whereby interest rates have been kept artificially low — 7 percent for time deposits and 9.5 percent for commercial bank lending — has certainly in the past contributed to a drain of funds attracted to better rates abroad. This outflow was exacerbated in the days, now gone, when the government allowed 20-percent advance payments on official contracts and contractors sought to borrow locally to finance mobilization while depositing their advances overseas at higher interest rates. With payment delays running into several months there is not even a faint echo of that period. However, interest-rate policy has remained consistent. Falling international rates have at least meant that local rates do not look so distorted.

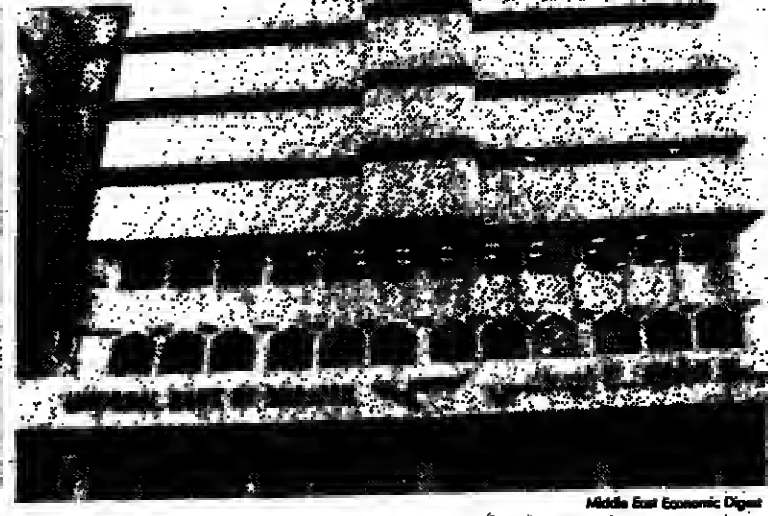
There is, though, little evidence to suggest that even a competitive interest-rate structure would lure back the bulk of funds that have been transferred out of Qatar. Many, it would seem, want to hedge on future investment and commitment to a country so vulnerable not only to world hydrocarbons prices but also the political volatility of a region overshadowed by the war between Iran and Iraq.

Financial development in Qatar is going to depend on the economy moving again. This in turn is dependent on improvements in the wider global and regional business environment. Policies of its neighbors in the Gulf Co-operation Council are also going to be of pivotal importance to Qatar, which hosts the latter's next summit meeting in Doha in November. The conference will not solve Qatar's problems but may be important in charting an integrated role for Qatar's economy in a wider Gulf context.

— ROBERT BAILEY



A bank worker bundles Kuwait banknotes.



Headquarters of the Sharjah National Bank.

## Continuing War With Iran Batters Iraq Economy

LONDON — The successful syndication of loans for Rafidain Bank and the National Oil Company this year show that Iraq is considered creditworthy in the international financial markets. However, there is concern in banking circles about the battering Iraq's economy is taking from the war with Iran. After 36 months of confrontation and occasionally fierce fighting with no military result in sight, 1983, in monetary terms at least, may well go down as the year in which the conflict turned against Baghdad.

Even one year ago, as Iran began to reverse previous defeats, Iraq was still an attractive market, with its war effort bankrolled by Arab states led by Saudi Arabia and Kuwait. With huge contractual opportunities as bait few investors were willing to disbelieve that a policy of guns and butter could not be steadfastly pursued.

But the cost of funding the military effort and civil development has increased. As payments to contractors have ceased, the credibility gap has become a chasm. Embarrassment caused by doubts about Iraq's ability to pay may have had some bearing on the dismissal of Finance Minister Tamer Razzouki in August. His successor, Hisham Hassan, is unlikely to be able to stem the now openly expressed skepticism in international circles about the viability of Iraq's financial position.

The Washington-based Wharton Middle East Economic Service has estimated that Iraq's real economic activity will fall 5 to 7 percent this year, after declining 4.8 percent in 1982 and 33 percent in 1981. In monetary terms, this has meant a

cutback in spending from \$20 billion to \$4 billion in one year.

The country's cash mountain of foreign currency has been whittled away from an estimated \$35 billion before the war started to less than \$4 billion. The war effort is said to be costing more than \$1 billion a month. Iraq is only managing to export 650,000 barrels a day of oil, compared with 2.6 million before the war. Export earnings have fallen from \$26.28 billion to little more than \$10 billion last year.

The Saudi and Kuwaiti contributions to Baghdad's war chest, marked by the visit of President Saddam Hussein to the late King Khalid in Riyadh shortly before Iraq's invasion of Iran in September 1980, have been put as high as \$30 billion. The subvention has been vital in helping Iraq pay for its military struggle as well as financing the five-year development plan.

However, the failure of Iraq's army to score a decisive victory or force Tehran to the negotiating table is believed to have caused a reappraisal of the scale of long-term Arab assistance to Baghdad. The doubts have arisen at a bad time for the Iraqis, who are struggling against a shortage of manpower and essential commodities. Cash is still paid for some items but for the majority of imports deferred letters of credit are being negotiated, where possible, for periods of up to 24 months.

The uncertainty and growing doubts about Iraq's credit rating was reflected in the \$500-million Euroloan arranged for Rafidain Bank in March this year. Werner Blessing, a deputy member of the board of Deutsche Bank, which pulled out of the syndication, was quoted by Arab Banking & Fi-

nance, the London-based monthly, as saying of the five-year loan, which is pitched 1 percent over Libor, the London interbank offered rate: "There is a high factor of speculation." He also said that information needed to convince his board had not been forthcoming. "We also wanted to have information about the support in financial aid terms from the Gulf countries, whether it is aid, or a donation, a grant, a subsidized loan or whatever," he said.

Against this extraordinary background, whereby a multibillionaire oil power has become a debtor na-

tion in less than three years, there can be little room for optimism. The 1981-85 five-year plan, originally put at \$130 billion, is but a dream. The big question is how long the war will go on and how long Saudi Arabia will carry on bailing out Iraq's tottering economy.

— ROBERT BAILEY

## CONTRIBUTORS

ROBERT BAILEY is the special reports and business features editor of the London-based Middle East Economic Digest.

ANN FYFE is a Dubai-based journalist who writes about the United Arab Emirates for The Times of London and other publications.

BOB HAGERTY is a staff financial correspondent for the International Herald Tribune. He is based in London.

BRAD HELLER is a staff reporter for the English-language Saudi Gazette, a Jeddah-based daily newspaper.

DILIP HIRO is a London-based writer who specializes in Middle Eastern affairs. He has contributed to The Times of London, the Guardian and other publications, and is the author of the book "Inside the Middle East," published by McGraw-Hill Book Co. and Routledge & Kegan Paul, London.

RAMI G. KHOURI is an Amman-based journalist who writes about development and economic affairs in Jordan. He is a former editor of the Jordan Times.

OLEFAT TOHAMY is a Cairo-based journalist who writes about Middle Eastern affairs for The Washington Post and other publications.

ROBIN WRIGHT is a Beirut-based journalist who contributes to The Sunday Times of London and the Christian Science Monitor.

23:04

21:04

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FRANKFURT  
10:04

HONG KONG  
16:04

KUWAIT  
11:04

LONDON  
09:04

LOS ANGELES  
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NEW YORK  
03:00

PARIS  
10:04

SYDNEY  
18:00

TOKYO  
17:04

ZURICH  
10:00



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Intermarkets



TECHNOLOGY

By STEVEN J. MARCUS

Use of Lasers for Medical Purposes Is Expected to Increase Sharply Soon

NEW YORK — Lasers are being used by eye surgeons to reconnect blood vessels and restore vision. They are being used by throat surgeons to remove tumors from vocal cords so that people who might have lost their voices can speak. And gynecologists use these beams of intense light to remove obstructions from fallopian tubes so that otherwise childless women may become pregnant.

These are only a few of the established medical applications — many of them for conditions that are otherwise inoperable — of this versatile and sophisticated tool. And its potential for further innovation is great.

Last week, for example, cardiologists at Stanford University Medical Center reported the first laser angioplasty — the unclogging of a blocked blood vessel — in a leg and the expected application to heart-surgery techniques that could replace coronary bypasses.

Lasers can eliminate the need for invasive surgery and often reach otherwise inaccessible parts of the body. They are highly accurate, vaporizing or welding the target tissue, with little or no damage to surrounding areas. They produce little bleeding, leaving the surgeon an unobstructed view, and result in minimal scar tissue. The heat from the highly focused beam even sterilizes the surgical site.

Thus, surgery and healing with lasers are quicker and less painful than with traditional methods. And what previously required a long stay at the hospital often becomes a simple outpatient procedure.

Despite its proven benefits, however, the laser remains a largely unused medical technology. Neurologists, gynecologists and ear, nose and throat specialists have used it more than most, but the surface has only been scratched in those fields, experts say, and most other specialties have largely ignored the technique. Only in ophthalmology have lasers been widely adopted.

Price Has Been a Factor

One constraint has been the price, with medical laser systems costing anywhere from \$18,000 to more than \$150,000.

Dr. Joseph E. Bellina, director of the Laser Research Foundation in New Orleans and the first gynecologist to use lasers, in 1974.

The main impediment, however, is a sort of generation gap, according to Dr. Bellina. "The emphasis in surgery has always been to remove organs," he says. "But with the precise high-technology tools now available, it's possible to repair them and leave them there." Suddenly, he says, it is the 21st century in a profession whose attitudes and tools have changed little in a hundred years.

"Probably less than 5 percent of the country's surgeons have used lasers," Dr. Bellina says. But as more people have tried lasers, discovered their advantages and told colleagues about them, use of the devices has slowly spread, he said. "It's now approaching a critical point that will soon become an epidemic."

Cooper Lasersonics of Santa Clara, California, a unit of Cooper Laboratories, considers itself the largest medical laser company in the world. Its estimated sales this year, \$40 million, were up 40 percent from 1982, according to its president, A. Kenneth Nilsson. The worldwide market in lasers this year, he says, will be worth \$100 million, a figure he expects to double by 1988 from sales of current technology alone. He says it will be a significant increase "if only half of the new applications on the horizon are successful."

Fritz A. Brauer, general manager of Meximack Laboratories of Hudson, Massachusetts, reports that his company's revenues, based entirely on medical lasers, have quadrupled this year. He predicts that sales, prompted by simpler techniques and versatility for a wide variety of surgical specialties, will continue to grow.

Other Major Producers

Other major producers of medical lasers in the United States include Cohesion of Palo Alto, California; Johnson & Johnson's Xanor division of Colorado Springs, Colorado; and Laser Industries, an Israeli concern that markets lasers in the United States under the name Sharplan.

Pieter Halter, executive editor of Biomedical Business International, a trade journal of the health-care industry, recently completed a survey of the medical laser market and predicts "heavy growth" for the next five years. He observes that only about 1,000 carbon-dioxide lasers — general-purpose units that are used as high-precision scalpels — are in use in the United States, mostly in hospitals. But the potential market, Mr. Halter says, is for 30,000 hospital-based units and another 30,000 in physicians' offices.

Lasers will "blossom" in virtually every specialty, says Terry A. Fuller, director of the Laser Surgery and Photobiology Institute at the Sinai Hospital of Detroit. And the greatest common benefit will be psychological, he adds. "We now have the ability to approach people in a nontraumatic manner," he says. "We can treat a disease distally — in a noninvasive way — and be more respectful of the rest of the patient."

New York Times Service

The greatest common benefit will be psychological. We now have the ability to approach people in a nontraumatic manner.

Analysts Praise Republic-LTV Merger

Unions Are Anxious, U.S. Is Unsure, But Experts See Rise in Profitability

By Steven Greenhouse

New York Times Service

NEW YORK — The proposed merger between Republic Steel Corp. and LTV Corp., the parent company of Jones & Laughlin Steel Corp., has received praise from the investment community, anxious questions from steelworkers, and a tentative passing grade from antitrust experts.

But the Justice Department said it had not yet examined the antitrust implications of the proposed merger, which was approved Wednesday by the boards of Republic and LTV.

The Wall Street community applauded the merger, which joins the nation's third and fourth largest steelmakers. The new combine will be called LTV Steel and will be based in Cleveland, Ohio, where Republic has its headquarters.

"The ultimate conclusion of the merger will be extremely favorable," said Eliot L. Glazer, an analyst at Derby Securities, in New York. "The new company will keep the newer plants, close the older ones, and will end up with a lower break-even point and a higher profit margin."

Analysts say the two companies overlap in the production of flat-rolled sheet steel, which is used in automobiles and appliances, and of oil drilling pipe, and that the combine would reduce excess industry capacity in those products.

"They'll be doing what the whole industry is doing: cutting inefficient operations," said William V. Stephens, an analyst who follows LTV for Rauscher Pierce Refsnes in Dallas.

He said the most likely casualty of the merger would be J&L's sheet steel mill in Cleveland, which is less modern than Republic's mill in the same city.

In a joint statement released Wednesday in Dallas, Raymond A. Hay, LTV's chief executive officer, and E. Bradley Jones, Republic's chief executive officer, said: "A unified J&L and Republic would not only be able to achieve significant economies, but would also make more efficient use of scarce capital."

Under the merger agreement, Mr. Jones would become chairman and chief executive officer of LTV Steel, while David H. Hoag, president and chief executive officer of J&L, would be the new company's president and chief operating officer. The merger must be approved by the shareholders of both corporations.

LTV said that for each share of Republic common, Republic

(Continued on Page 19, Col. 1)



Molten steel is poured into a slab-casting machine in an Inland Steel Co. mill in East Chicago, Indiana. The U.S. industry, hit by the recent recession and foreign competition, has turned increasingly to such modern technology.

Jardine Earnings Off 66% for First Half

By Dinah Lee

International Herald Tribune

HONG KONG — Jardine Matheson & Co. reported Thursday that its first half earnings fell 66 percent from a year earlier, to 101 million Hong Kong dollars (\$12.24 million).

Simon Keswick, the company's senior managing director, attributed the decline in profit to substantial losses by Jardine's ailing sister company, Hongkong Land, whose debts have been estimated recently at 12 billion Hong Kong dollars.

Hongkong Land and Jardine own about 40 percent of one another.

Mr. Keswick said at a news conference that Hongkong Land had a loss in the half of 107.1 million dollars and would pay no interim dividend. In the first half of 1982, the company had a profit of 543 million dollars.

The news conference was Mr. Keswick's first meeting with reporters since the resignation of Hongkong Land's director, Trevor Bedford, in August. It is believed that Mr. Keswick's "new broom" policies of deferring a significant number of Mr. Bedford's property ventures forced Mr. Bedford's departure. Mr. Bedford was considered a close associate of Mr. Keswick's predecessor and outgoing Jardine chairman, David Newbigging.

Mr. Keswick said that Hongkong Land's refinancing was in good order, and that the loss was caused principally by provisions amounting to 429.6 million dollars against property projects in Hong Kong, Australia and Singapore. Also, he said, 181.2 million dollars

was charged for interest on deferred property developments.

About 10 of 50 projects proposed under Mr. Bedford have been deferred, he said, adding, "deferred means canceled."

The most significant remaining property development, he said, is Exchange Square, a complex for the proposed merger of Hong Kong's four stock exchanges, with an estimated cost of 6 billion dollars. Hongkong Land had reportedly hoped it would rent for as much as 40 dollars a square foot, but the value has dropped by almost half since plans began.

Mr. Keswick said Hongkong Land has one serious offer for purchase of the exchange. Although work will continue on the first half of the project, Mr. Keswick was ambiguous on the question of going ahead with the rest in the depressed property market. "We won't walk away from it," he said, but added, "We have the land, we just have to decide whether to build on it."

Mr. Keswick also said Jardine's merchant banking arm, Jardine Fleming, had signed an agreement for a 250-million-dollar issue of commercial paper.

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N.Y. Stock Prices Down For the 3d Day in a Row

United Press International

NEW YORK — Prices on the New York Stock Exchange lost ground Thursday for the third consecutive session after two rally attempts fizzled. Some takeover situations attracted buyers, but airlines and high-technology issues continued to slide.

The Dow Jones industrial average, up five points at the outset after losing six Wednesday, shed 1.83 to 1,240.14. It skidded 12.80 Tuesday after reaching a record high of 1,260.77 the day before.

Declines led advances 3 to 2. Volume was 73.7 million shares compared with 75.8 million Wednesday.

"The market basically was trendless," said David Polen, a New York investment adviser. "There is a standoff right now, with the Dow hanging around its all-time highs. This causes some investors to step back."

An early buying spurt dried up at midday and many investors cashed in on recent profits. Bond prices slipped amid confusion over Federal Reserve's credit policies.

Keith Finsonault of Underwood, Neuhaus & Co. of Houston said the market had been "moving sideways for five months. But pressure has eased on interest rates and that should eventually get prices moving again."

Republic Steel was the most active NYSE-listed issue, up 1 to 27 1/2 and LTV was third, off 1 1/2 to 16 1/2. LTV has agreed to buy Republic for \$770 million.

Merrill Lynch, faced with losses from charges involving a Madrid-based securities firm, was second on the list, up 3/4 to 33 1/2.

TWA stock lost 1/4 to 8 1/2 and Trans World Corp., the parent of the airline, rose 1/4 to 31 1/2.

Eastern Airlines added 1/4 to 5 1/2. The carrier hired former Labor Secretary William Usery to work on a solution to Eastern's labor problems. Among the other airlines, Northwest lost 1/4 to 37 and Southwest rose 1/4 to 35.

IBM, rumored to be ready with its Peapack personal computer, lost 1/4 to 127 1/2. Competitors Comco lost 1/4 to 33 1/2 and Commodore International 1/4 to 41 1/2.

Ex-Im Bank Aid Proposal Is Opposed by House Panel

Compiled by Our Staff From Dispatches

WASHINGTON — A House subcommittee passed a resolution Thursday expressing opposition to a plan by the Export-Import Bank to extend \$2 billion worth of loan guarantees to Brazil and Mexico in this fiscal year, which ends Friday.

The resolution, which passed unanimously on voice vote, was sponsored by Democratic Representative Stephen Neal of North Carolina, chairman of the House Banking Committee's subcommittee on international trade.

However, the action may be more of form than of substance because the full committee is not expected to consider it before the new fiscal year begins Saturday.

To help the two countries with their debt crises, the bank is offering \$1.5 billion in loan guarantees to Brazil and \$500 million to Mexico. Bankers have concluded that Brazil faces a funding gap of \$9 billion and have worked up a package by which they could raise \$6.5 billion in new loans if \$2.5 billion

in guarantees could be provided by international organizations.

A representative of the Export-Import Bank who attended the meeting said the bank's board would probably decide Friday whether to override the wishes of the subcommittee, which generally supports the Ex-Im Bank.

Meanwhile, a group of international banks signed five agreements to refinance \$8.3 billion in loans to Mexican banks and other public agencies.

The signing ceremony in New York, attended by Finance Minister Jesus Silva Herzog and other Mexican government officials, marked completion of the second phase of restructuring about \$21 billion of Mexican debt.

The first portion of the restructuring was signed Aug. 26 and consisted of three agreements to refinance \$11.4 billion of bank loans to the Mexican government, the government-owned oil company and a national finance company.

A third portion of the restructuring program, involving \$1.3 billion, is not yet complete.

JAL to Purchase 9 Boeing 767s At \$560 Million

By Steve Lohr

New York Times Service

TOKYO — Japan Air Lines announced Thursday that it would buy nine Boeing 767 aircraft, costing a total of about \$560 million, over the next five years. The decision was a significant victory for Boeing over the European consortium Airbus Industrie in a contest that included aggressive corporate salesmanship and diplomatic pressure.

Moreover, two powerful government ministries had apparently been at odds over the purchase of medium-capacity airliners. The Foreign Ministry pressed JAL, which is 38-percent government-owned, to buy the Airbus 300 and 310 white Japanese industry sources said the Ministry of International Trade and Industry supported Boeing.

JAL plans to introduce the first three 767s in 1986. In addition to this nine-jet order, JAL said it was studying the possibility of buying six more 767s, two a year starting in 1989.

The carrier needs the planes to replace the 19 McDonnell Douglas DC-8s that it uses for domestic flights and short international routes not popular enough to justify larger jets. The DC-8s do not meet strict international noise-control standards that are going into effect in January 1988.

McDonnell Douglas also had an entry in the competition for the JAL order, the MD-100. JAL will buy two versions of the Boeing plane, the 767-200 and the 767-300. The 767-200 has a standard seating capacity of 211 while the "stretched" 767-300 has a 254-seat configuration. For comparison, a Boeing 747 jumbo jet has 360 seats on international routes and about 500 on JAL's domestic flights.

Although JAL has been a major buyer of Boeing jumbo jets, that did not influence its decision on the medium-capacity plane, company officials said. In addition, the financing packages offered by Boeing and Airbus were described as "pretty much the same."

But the Seattle company's planes did afford some advantages that tipped the deal in Boeing's favor. For instance, a JAL executive noted that the two 767 versions had more parts in common than did the comparable Airbus models, the 310-300 and 300-600. Thus, JAL decided, maintenance should be easier and cheaper on the Boeings.

"This was a commercial decision," said Geoffrey Tudor, a JAL spokesman.

Eastern Report Denied  
An Airbus Industrie spokesman denied Thursday reports that Eastern Airlines had canceled its order for four Airbus 300s, Reuters reported from Paris. But the consortium's chief executive, Bernard Lathiere, said the planes would not be delivered in the autumn as scheduled, because of Eastern's financial difficulties.

Later Thursday, Eastern's chairman, Frank Borman, said in Kansas City, Missouri, that the company would take delivery of the four Airbus jets some time this year, though he would not say just when.

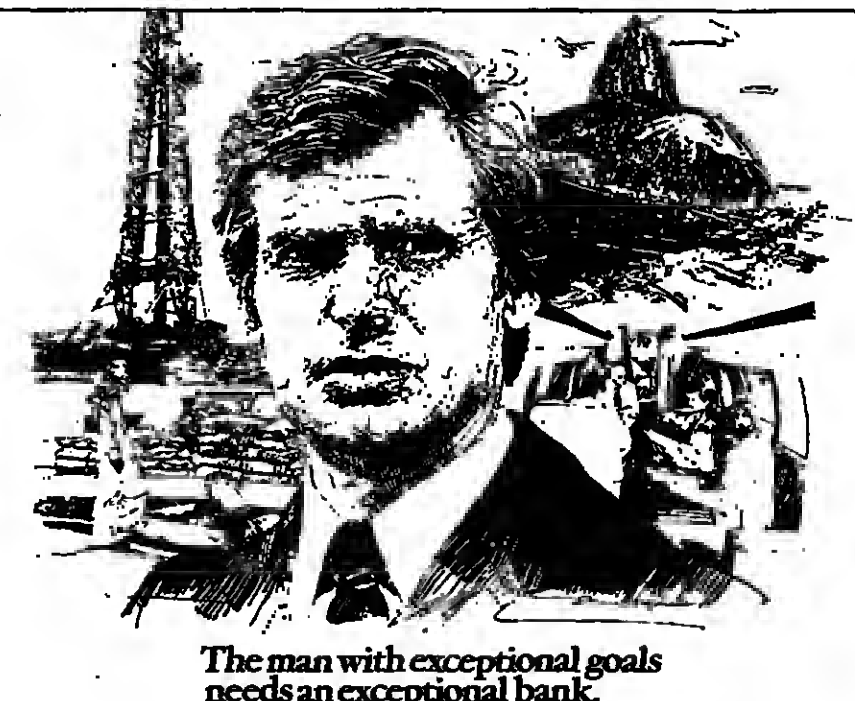
Pilots Call Strike At Continental

United Press International

HOUSTON — Leaders of the pilots' union at Continental Airlines voted Thursday to strike in protest against pay cuts and expanded work hours announced as part of the carrier's reorganization.

Gary Thomas, spokesman for the 18-member Continental master executive committee of the Air Lines Pilots Association, said the group voted unanimously to strike the airline early Saturday morning.

A Continental spokesman, however, said a strike would not shut down the airline, which already had cut its service sharply. "There are more than enough pilots to operate our schedule and they have affirmed to us their willingness and eagerness to fly."



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## NYSE Most Actives

Stock	Vol.	High	Low	Close	Chg.
IBM	1,150,000	125.00	124.00	124.50	+1.00
AT&T	1,000,000	48.00	47.00	47.50	+0.50
GE	800,000	35.00	34.00	34.50	+0.50
Westinghouse	700,000	25.00	24.00	24.50	+0.50
Boeing	600,000	45.00	44.00	44.50	+0.50
Johnson & Johnson	500,000	28.00	27.00	27.50	+0.50
Merck	400,000	32.00	31.00	31.50	+0.50
Amgen	300,000	22.00	21.00	21.50	+0.50
Novartis	200,000	18.00	17.00	17.50	+0.50
Roche	100,000	15.00	14.00	14.50	+0.50

## Dow Jones Averages

Index	Open	High	Low	Close	Chg.
Indus	2942.22	2950.00	2930.00	2940.00	+1.78
Trans	134.44	135.00	133.00	134.00	+1.00
Util	492.75	495.00	490.00	492.50	+2.50

## NYSE Diaries

Advanced	Declined	Unchanged	New High	New Low	Volume
1,234	567	890	123	45	1,234,567

## NYSE Index

Index	Open	High	Low	Close	Chg.
Composite	1234.56	1240.00	1230.00	1235.00	+0.44
Industrials	1234.56	1240.00	1230.00	1235.00	+0.44
Utilities	1234.56	1240.00	1230.00	1235.00	+0.44

## Odd-Lot Trading in N.Y.

Buy	Sell	Vol.
123	45	1,234

## Thursday's NYSE Closing

Vol. 4 p.m.	7:30 a.m.	Prev. Consol.
1,234,567	1,234,567	1,234,567

## AMEX Diaries

Advanced	Declined	Unchanged	New High	New Low	Volume
123	45	67	12	3	123,456

## Standard &amp; Poors Index

Index	Open	High	Low	Close	Chg.
Composite	1234.56	1240.00	1230.00	1235.00	+0.44

## NASDAQ Index

Index	Open	High	Low	Close	Chg.
Composite	1234.56	1240.00	1230.00	1235.00	+0.44

## AMEX Most Actives

Stock	Vol.	High	Low	Close	Chg.
IBM	1,150,000	125.00	124.00	124.50	+1.00

## AMEX Stock Index

Index	Open	High	Low	Close	Chg.
Composite	1234.56	1240.00	1230.00	1235.00	+0.44

12 Month High	Low	Stock	Div.	Yld.	PE	12 Month High	Low	Stock	Div.	Yld.	PE	12 Month High	Low	Stock	Div.	Yld.	PE	12 Month High	Low	Stock	Div.	Yld.	PE	12 Month High	Low	Stock	Div.	Yld.	PE
17.00	16.00	AA	0.00	1.00	10.00	17.00	16.00	AA	0.00	1.00	10.00	17.00	16.00	AA	0.00	1.00	10.00	17.00	16.00	AA	0.00	1.00	10.00	17.00	16.00	AA	0.00	1.00	10.00
18.00	17.00	AB	0.00	1.00	10.00	18.00	17.00	AB	0.00	1.00	10.00	18.00	17.00	AB	0.00	1.00	10.00	18.00	17.00	AB	0.00	1.00	10.00	18.00	17.00	AB	0.00	1.00	10.00
19.00	18.00	AC	0.00	1.00	10.00	19.00	18.00	AC	0.00	1.00	10.00	19.00	18.00	AC	0.00	1.00	10.00	19.00	18.00	AC	0.00	1.00	10.00	19.00	18.00	AC	0.00	1.00	10.00
20.00	19.00	AD	0.00	1.00	10.00	20.00	19.00	AD	0.00	1.00	10.00	20.00	19.00	AD	0.00	1.00	10.00	20.00	19.00	AD	0.00	1.00	10.00	20.00	19.00	AD	0.00	1.00	10.00
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22.00	21.00	AF	0.00	1.00	10.00	22.00	21.00	AF	0.00	1.00	10.00	22.00	21.00	AF	0.00	1.00	10.00	22.00	21.00	AF	0.00	1.00	10.00	22.00	21.00	AF	0.00	1.00	10.00
23.00	22.00	AG	0.00	1.00	10.00	23.00	22.00	AG	0.00	1.00	10.00	23.00	22.00	AG	0.00	1.00	10.00	23.00	22.00	AG	0.00	1.00	10.00	23.00	22.00	AG	0.00	1.00	10.00
24.00	23.00	AH	0.00	1.00	10.00	24.00	23.00	AH	0.00	1.00	10.00	24.00	23.00	AH	0.00	1.00	10.00	24.00	23.00	AH	0.00	1.00	10.00	24.00	23.00	AH	0.00	1.00	10.00
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26.00	25.00	AJ	0.00	1.00	10.00	26.00	25.00	AJ	0.00	1.00	10.00	26.00	25.00	AJ	0.00	1.00	10.00	26.00	25.00	AJ	0.00	1.00	10.00	26.00	25.00	AJ	0.00	1.00	10.00
27.00	26.00	AK	0.00	1.00	10.00	27.00	26.00	AK	0.00	1.00	10.00	27.00	26.00	AK	0.00	1.00	10.00	27.00	26.00	AK	0.00	1.00	10.00	27.00	26.00	AK	0.00	1.00	10.00
28.00	27.00	AL	0.00	1.00	10.00	28.00	27.00	AL	0.00	1.00	10.00	28.00	27.00	AL	0.00	1.00	10.00	28.00	27.00	AL	0.00	1.00	10.00	28.00	27.00	AL	0.00	1.00	10.00
29.00	28.00	AM	0.00	1.00	10.00	29.00	28.00	AM	0.00	1.00	10.00	29.00	28.00	AM	0.00	1.00	10.00	29.00	28.00	AM	0.00	1.00	10.00	29.00	28.00	AM	0.00	1.00	10.00
30.00	29.00	AN	0.00	1.00	10.00	30.00	29.00	AN	0.00	1.00	10.00	30.00	29.00	AN	0.00	1.00	10.00	30.00	29.00	AN	0.00	1.00	10.00	30.00	29.00	AN	0.00	1.00	10.00
31.00	30.00	AO	0.00	1.00	10.00	31.00	30.00	AO	0.00	1.00	10.00	31.00	30.00	AO	0.00	1.00	10.00	31.00	30.00	AO	0.00	1.00	10.00	31.00	30.00	AO	0.00	1.00	10.00
32.00	31.00	AP	0.00	1.00	10.00	32.00	31.00	AP	0.00	1.00	10.00	32.00	31.00	AP	0.00	1.00	10.00	32.00	31.00	AP	0.00	1.00	10.00	32.00	31.00	AP	0.00	1.00	10.00
33.00	32.00	AQ	0.00	1.00	10.00	33.00	32.00	AQ	0.00	1.00	10.00	33.00	32.00	AQ	0.00	1.00	10.00	33.00	32.00	AQ	0.00	1.00	10.00	33.00	32.00	AQ	0.00	1.00	10.00
34.00	33.00	AR	0.00	1.00	10.00	34.00	33.00	AR	0.00	1.00	10.00	34.00	33.00	AR	0.00	1.00	10.00	34.00	33.00	AR	0.00	1.00	10.00	34.00	33.00	AR	0.00	1.00	10.00
35.00	34.00	AS	0.00	1.00	10.00	35.00	34.00	AS	0.00	1.00	10.00	35.00	34.00	AS	0.00	1.00	10.00	35.00	34.00	AS	0.00	1.00	10.00	35.00	34.00	AS	0.00	1.00	10.00
36.00	35.00	AT	0.00	1.00	10.00	36.00	35.00	AT	0.00	1.00	10.00	36.00	35.00	AT	0.00	1.00	10.00	36.00	35.00	AT	0.00	1.00	10.00	36.00	35.00	AT	0.00	1.00	10.00
37.00	36.00	AV	0.00	1.00	10.00	37.00	36.00	AV	0.00	1.00	10.00	37.00	36.00	AV	0.00	1.00	10.00	37.00	36.00	AV	0.00	1.00	10.00	37.00	36.00	AV	0.00	1.00	10.00
38.00	37.00	AW	0.00	1.00	10.00	38.00	37.00	AW	0.00	1.00	10.00	38.00	37.00	AW	0.00	1.00	10.00	38.00	37.00	AW	0.00	1.00	10.00	38.00	37.00	AW	0.00	1.00	10.00
39.00	38.00	AX	0.00	1.00	10.00	39.00	38.00	AX	0.00	1.00	10.00	39.00	38.00	AX	0.00	1.00	10.00	39.00	38.00	AX	0.00	1.00	10.00	39.00	38.00	AX	0.00	1.00	10.00
40.00	39.00	AY	0.00	1.00	10.00	40.00	39.00	AY	0.00	1.00	10.00	40.00	39.00	AY	0.00	1.00	10.00	40.00	39.00	AY	0.00	1.00	10.00	40.00	39.00	AY	0.00	1.00	10.00
41.00	40.00	AZ	0.00	1.00	10.00	41.00	40.00	AZ	0.00	1.00	10.00	41.00	40.00	AZ	0.00	1.00	10.00	41.00	40.00	AZ	0.00	1.00	10.00	41.00	40.00	AZ	0.00	1.00	10.00
42.00	41.00	BA	0.00	1.00	10.00	42.00	41.00	BA	0.00	1.00	10.00	42.00	41.00	BA	0.00	1.00	10.00	42.00	41.00	BA	0.00	1.00	10.00	42.00	41.00	BA	0.00	1.00	10.00
43.00	42.00	BB	0.00	1.00	10.00	43.00	42.00	BB	0.00	1.00	10.00	43.00	42.00	BB	0.00	1.00	10.00	43.00	42.00	BB	0.00	1.00	10.00	43.00	42.00	BB	0.00	1.00	10.00
44.00	43.00	BC	0.00	1.00	10.00	44.00	43.00	BC	0.00	1.00	10.00	44.00	43.00	BC	0.00	1.00	10.00	44.00	43.00	BC	0.00	1.00	10.00	44.00	43.00	BC	0.00	1.00	10.00
45.00	44.00	BD	0.00	1.00	10.00	45.00	44.00	BD	0.00	1.00	10.00	45.00	44.00	BD	0.00	1.00	10.00	45.00	44.00	BD	0.00	1.00	10.00	45.00	44.00	BD	0.00	1.00	10.00
46.00	45.00	BE	0.00	1.00	10.00	46.00	45.00	BE	0.00	1.00	10.00	46.00	45.00	BE	0.00	1.00	10.00	46.00	45.00	BE	0.00	1.00	10.00	46.00	45.00	BE	0.00	1.00	10.00
47.00	46.00	BF	0.00	1.00	10.00	47.00	46.00	BF	0.00	1.00	10.00	47.00	46.00	BF	0.00	1.00	10.00	47.00	46.00	BF	0.00	1.00	10.00	47.00	46.00	BF	0.00	1.00	10.00
48.00	47.00	BG	0.00	1.00	10.00	48.00	47.00	BG	0.00	1.00	10.00	48.00	47.00	BG	0.00	1.00	10.00	48.00	47.00	BG	0.00	1.00	10.00	48.00	47.00	BG	0.00	1.00	10.00
49.00	48.00	BH	0.00	1.00	10.00	49.00	48.00	BH	0.00	1.00	10.00	49.00	48.00	BH	0.00	1.00	10.00	49.00	48.00	BH	0.00	1.00	10.00	49.00	48.00	BH	0.00	1.00	10.00
50.00	49.00	BI	0.00	1.00	10.00	50.00	49.00	BI	0.00	1.00	10.00	50.00	49.00	BI	0.00	1.00	10.00	50.00	49.00	BI	0.00	1.00	10.00	50.00	49.00	BI	0.00	1.00	10.00

# HOLLYWOOD

## STARLETS AND MONUMENTAL PROFITS

Since the inception of our reports, we have chided prosking trading, rebuffing the "Street." For the "Street" is usually off-course. One recalls a conference of 2,000 analysts in which the seeds of a "Street" were sown. The "Street" was the market's choice. Within a year, their pot marmalade plummeted 95%.

A leading magazine discussed the selections of analysts who are categorized as "Super Stars." The market rose 14%. If you had purchased or sold 132 stocks (the Super Stars recommended), your gain would have been only 8.3%. Some 54% would have lost money. The "Street" was the market's choice. Within a year, their pot marmalade plummeted 95%.

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## BUSINESS BRIEFS

## Rich and Green Miss Arraignment; Companies, Aide Plead Not Guilty

NEW YORK (UPI) — Commodities firm executives Marc Rich and Vincent Green failed to appear Thursday for their arraignment on a \$48-million tax evasion indictment. Their company, its U.S. subsidiary and a business associate, Clyde Melzer, pleaded not guilty to charges of tax evasion, racketeering and fraud. Mr. Melzer was freed on \$250,000 bail.

At the arraignment at U.S. District Court in Manhattan, prosecutors said Mr. Rich had renounced his U.S. citizenship and was now a Spanish citizen. Arrist warrants have been issued for Mr. Rich and Mr. Green, who are believed to be in Switzerland. Marc Rich & Co. AG is Swiss-based.

"We consider them to be fugitives," Assistant U.S. Attorney Morris Weinberg Jr. told U.S. District Judge Vincent Broderick. Spain has an extradition treaty with the United States, but Switzerland does not consider tax evasion an extraditable offense. Mr. Weinberg said later that the government was exploring the possibility of extradition proceedings.

## West German Cost of Living Up 0.2%

WIESBADEN, West Germany (Reuters) — The West German cost-of-living index rose a provisional 0.2 percent in the month to mid-September after gaining 0.3 percent to mid-August, the Federal Statistics Office said Thursday.

The index was 2.9 percent above the level of mid-September last year, compared with year-to-year rises of 3 percent in August and 2.5 percent in July. Final cost-of-living data will be published in about 10 days.

## Japanese Trade Surplus Narrows

TOKYO (Reuters) — Japan's trade surplus fell to \$2.45 billion last month from a record \$3.76 billion in July but was up from a \$950-million surplus a year earlier, the Finance Ministry said Thursday. The figures are not seasonally adjusted.

The August current account surplus narrowed to \$1.37 billion from a record \$2.85 billion in July and compared with a \$40-million deficit a year earlier. The current account is a broader measure of trade including services and investment income.

August exports rose 10.7 percent from a year earlier to \$11.49 billion, while imports were down 4.1 percent to \$9.04 billion.

## SNCF Issues Eurosterling Floater

PARIS (UPI) — The first Eurosterling floating-rate note for a non-bank issuer was launched Thursday for the French national railway, SNCF. S.G. Warburg, lead manager, said the issue was sold out within an hour and the amount increased to \$75 million (\$112.5 million) from \$50 million.

The 10-year paper will carry interest a quarter-point over the three-month sterling interbank rate. Investors may request redemption after the seventh year. SNCF paid a commission of 14 percent to market the paper, with 40 basis points to managers and 85 basis points to selling group members. The notes, offered at par, were quoted at a discount of 65 basis points, well within the selling concession.

Two other Eurosterling floaters had been issued previously — both in 1980, both for banks — and received with little enthusiasm. Now, however, banks in Britain, especially foreign institutions, are scrambling to find sterling-denominated loans to put on their books to compensate for the run-off in loans to local public authorities. Local authorities must borrow now from a government-run central pool.

## U.S. Unemployment Claims Increase

WASHINGTON (UPI) — New claims for state unemployment benefits went up 13,000 to 382,000 during the week that ended Sept. 17, the first increase in six weeks, the Labor Department said Thursday. It said a major reason was the Labor Day holiday, which shifted applications into the following week.

The increase falls in the "survey week" used as the basis for next Friday's unemployment calculation for September, but the total is 45,000 less than for August's survey week. The U.S. unemployment rate in August was 9.5 percent, the same as in July.

## Republic-LTV Merger Draws Both Praise and Questions

(Continued from Page 17) shareholders would receive 1.5 common shares of LTV and 0.3 shares of a new class of LTV convertible preferred stock. Each share of the new stock would be convertible into 1.22 common shares of LTV.

There are 17.8 million shares outstanding of Republic common stock. There are approximately 58 million shares of LTV common stock. The total value of the merger is about \$600 million.

Reacting to the proposed merger, Lloyd McRide, the president of the United Steelworkers of America, said the union would not support the merger unless it made adequate provision for the "job security and well-being" of workers of both companies.

Jones & Laughlin has about 30,000 employees and Republic about 35,000. The two companies have a total of about 17,000 workers on layoff.

Republic lost \$239 million on sales of \$2.7 billion last year, and

LTV lost \$155 million on sales of \$4.7 billion. The U.S. steel industry listed losses, overall, of more than \$3 billion last year.

Mark T. Sheehan, a spokesman for the Justice Department, said it had not been determined whether the agency's antitrust division or the Federal Trade Commission's bureau of competition would examine the proposed merger.

One LTV official said: "Ten years ago and even five years ago it would have been unheard of to put a No. 3 and a No. 4 together, but we think we have a doable proposition that fits well within the government's antitrust guidelines. We're not foolish."

Analysts said LTV Steel would produce a great deal of steel, which is the strongest part of the market, and oil pipe, which is by far the weakest. One analyst said the new company would dominate specialty steel that it might raise antitrust problems in that market, but not in the overall steel market.

The combined steel shipments of the two companies — 4.3 million tons for Republic and 5.1 million tons for LTV — exceeded those of every steelmaker except U.S. Steel.

## U.S. Reports a Big Rise In Troubled Banks, but Insists System Is Sound

By Robert A. Benckert  
New York Times Service

NEW YORK — Almost 600 U.S. banks are in deep financial trouble because of bad loans following the 1981-82 recession, according to federal bank regulators in Washington.

The number of banks on the problem list of the Federal Deposit Insurance Corp., which insures deposits in commercial banks, has risen to 597, or 4 percent of the nation's 14,835 banks.

This was far above the previous high of 383 banks, reached in November 1976. That represented 2.6 percent of the banks then operating in the United States.

Banks on the problem list "are generally characterized by unsafe, unsound or other seriously unsatisfactory conditions and carry a relatively high possibility of failure or insolvency," the regulatory agency said. The list is maintained by the regulators to help them decide which banks need closest attention.

Consumers have little to worry about, because their deposits are insured for up to \$100,000 by the FDIC, a government agency. In addition, it is rare that a bank is actually allowed to fail; government regulators usually arrange a failing bank into a stronger one.

Margaret L. Eginton, deputy to the chairman of the insurance agency, said Wednesday that the banking system remained sound.

"With deregulation taking place throughout the economy, we are bound to experience a greater number of business failures," Mrs. Eginton said. "With the nearly 15,000 banks in the country, the failure of 42 last year, compared

with 10 in 1981, still represented less than one-half of 1 percent of the total."

"Now that the economy is recovering," she continued, "we expect the rate of increase in the number of problems to taper off and the number to begin declining in the near future."

C.T. Conover, the comptroller of the currency, who regulates federal-chartered banks, agreed with Mrs. Eginton that the rise in problem banks had not been caused by the deregulation of the banking industry. They pointed to the inability of many bank customers to pay their loans, largely because of the effects of the recent recession.

Deregulation has substantially increased the amount of interest that banks must pay for their deposits. Such costs have been largely offset by increased charges to bank customers.

Although analysts believe that most of the troubled banks are relatively small, Mr. Conover said that the problems were widespread and that they were not concentrated in any area of the country. Neither could they be traced to loans to any one sector of the economy, he said.

"We've been through a lengthy recession, and the banking system is reflective of the economy as a whole," he said. The authorities declined to identify any of the troubled banks, but Mr. Conover said some were large, having assets of more than \$1 billion.

Bank analysts expect the number of problem banks to continue to climb until the economic recovery is further under way. "It's kind of typical that loan losses lag the economic recovery," said a bank stock analyst, who asked not to be identified. "It's the companies that couldn't hang on. Look, the airlines are still going bankrupt. But we're getting to the point now where the problem loans are peaking."

The FDIC's list, which includes federally as well as state-chartered banks, consists only of the most severely troubled banks. The problem-bank list kept by the comptroller of the currency uses broader criteria than the FDIC, and it, too, has set a record. Of the 4,700 federally chartered banks, 11 percent, or 538, are on the comptroller's problem list. This is more than twice the 250 banks on the list at the end of 1981.

The previous high was reached in June 1975, when the comptroller's problem list rose to 276, or 5.9 percent of federally chartered banks.

Mr. Conover said the only common thread running through today's troubled banks was poor management. "The guys who have sound credit practices year in and year out, and who have good controls over their operations, are the ones who make out well," he said.

## Thomson Sets Joint Venture With U.S. Firm

Reuters

NEW YORK — General Instrument Corp. and Thomson-CSF of France have agreed in principle to form a joint venture involving cable television and fiber-optic broadband transmission systems, General Instrument said Thursday.

It said the companies will cooperate in technology development, manufacturing and marketing operations. Under the agreement, Thomson and General Instrument will establish two equally owned subsidiaries, one in the United States and the other in France.

The agreement will rely heavily on the strengths of General Instrument's Jerrold Division in cable television electronics, and of Thomson's LTT subsidiary in fiber-optic products and systems, the American company said.

It said the accord will put LTT in a better position to respond to the French government's plan to introduce advanced cable systems. France plans initially to wire 400,000 homes for cable service.

General Instrument said the U.S. subsidiary to be formed will offer new products using Thomson optical technology and Jerrold cable technology.

## China's Bid at Textile Accord Slowed by Difficulties in Talks

By Brij Khindaria  
International Herald Tribune

GENEVA — Difficulties in talks with several countries have slowed down China's bid to enter the Multifiber Agreement, which governs the world's textile trade, before the year's end.

Almost all members of the agreement would welcome China's entry because of its huge size. But many countries, including those of the European Community, Nordic nations and some Third World exporters, fear that unless clear understandings were reached with China before it applied for membership, negotiating concessions with it later would be difficult.

Consequently, the Chinese have not decided whether the costs of entering the textile agreement outweigh its benefits. While they seem eager to enter, their attitude has been extremely cautious in informal talks during the past two weeks.

Meanwhile, arrangements are being made for a special session of the textile committee of the General Agreement on Tariffs and Trade, which oversees the Multifiber Agreement. The GATT panel's meeting has been set for Dec. 16 in the expectation that China will apply for membership soon. The ap-

plication could be approved at that meeting.

A delegation led by Qui Wen Ming, a Chinese Foreign Trade Ministry official, has made fairly smooth progress in the talks so far. Most developing countries have reacted positively, expecting that the Chinese presence in the agreement would strengthen their hand in negotiations starting next year for an international textile arrangement to renew or replace the current agreement.

The prospective entry of China — the world's largest producer of textiles and a major exporter of printed cloth and sportswear — into the agreement would allow China to insist on guaranteed export growth rates, which would create problems for European manufacturers, particularly if China managed to use its informal connections in Hong Kong to improve its fashions and finishing.

Some technical problems also need to be ironed out, since China is not a member of GATT.

The main benefit to China of joining the textile agreement would be to protect it from unilateral import curbs, such as those imposed by the United States in December 1982. Although China successfully pressured the Americans by stopping grain imports, it wants to avoid similar disputes.

United States has assured Mr. Qui that it will place no obstacles in the way of Chinese entry. Having concluded a satisfactory bilateral agreement with the Chinese in July, Washington sees no disadvantages to Chinese presence in the agreement, particularly since the United States already gives China the terms required by the accord.

But the EC is in a different position. Its bilateral accord with China, which must be renewed before the end of the year, is based on barter-style arrangements that prevent the running up of large trade imbalances. Membership in the textile agreement would allow China to insist on guaranteed export growth rates, which would create problems for European manufacturers, particularly if China managed to use its informal connections in Hong Kong to improve its fashions and finishing.

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## U.S. to Toughen Rules on Farm-Price Supports

The Associated Press

MARION, Iowa — Agriculture Secretary John R. Block announced Thursday that U.S. feed grain farmers will have to idle at least 10 percent of the land they normally plant to remain eligible next year for federal price supports.

Mr. Block, attending a Farm Progress Show here, acknowledged that some farm-state congressmen and others will fight the requirement in light of the reduction in supplies of feed grains caused by this year's drought.

But he told reporters that without some acreage reduction, the United States could wind up again next fall with the same price-depressing surpluses of feed grains

that prompted the drastic idling program for the 1983 crop.

That program, a combination of land diversion involving no reimbursement, cash reimbursement and in-kind grain payments, resulted in a record amount of U.S. farm land being idled. Farm prices, also affected by the drought, have soared.

Mr. Block acknowledged that because of those high farm prices, farmers will be tempted to stay out of the federal farm program and forgo price support protection in order to benefit from price increases.

But he added, "You don't know what the future will be and I recommend to producers to take a little protection."

In conjunction with the land-

idling program for the 1984 corn and other feed grains crops, Mr. Block said the basic price support loan rate will be set at the congressionally required \$2.55 a bushel for corn. That is down 10 cents from the level for this year's crop. Loan rates for the other feed grains — sorghum, barley, oats and rye — are set at levels reflecting their relative feed value to that of corn.

Under the support loan, farmers borrow money from the government for up to nine months, using their crop as collateral, to provide operating cash while they decide when to sell. When they sell, they must repay the loan money plus market-rate interest.

Under target prices, farmers receive direct government payments when prices are depressed.

## U.K. Unemployment Rises To 13.3% for September

Compiled by Our Staff From Dispatches

LONDON — Unemployment in Britain rose sharply in September, bringing the total number of people out of work to 3.2 million, or 13.3 percent of the work force, the government reported Thursday.

The government also reported Thursday that the profits of British companies have increased about 25 percent over the past year while wages and salaries have risen by just under 6 percent and the standard of living has remained at a standstill.

The underlying unemployment trend — allowing for seasonal factors such as summer construction and farming jobs — also rose, after falling in August for the first time in nearly four years, the figures showed.

Two-thirds of the latest increase consisted of young people who left high school this summer and are without jobs.

The government data indicated that real disposable income has remained stable from the second quarter of 1981, with wages just keeping abreast of price rises. Living standards in the first half of 1983 remained around 3 percent below 1980 levels.

But company profits have risen steadily over recent years and are now more than double the 1977 level in unadjusted terms.

Crucial to this growth have been the profits of companies operating in the North Sea, which have increased more than threefold since 1977 and by 30 percent over the past year.

## ADVERTISEMENT INTERNATIONAL FUNDS

September 29 1983  
The net asset value quotations shown below are supplied by the Funds listed with the exception of some funds whose quotes are based on issue prices. The following symbols indicate frequency of quotations: (d) = daily; (w) = weekly; (m) = monthly; (b) = bi-monthly; (q) = quarterly; (y) = irregularly.

ALMA MANAGEMENT CO. S.A.  
(w) Almo Fund I ..... \$134.44  
(w) Almo Fund II ..... \$134.44  
(w) Almo Fund III ..... \$134.44  
(w) Almo Fund IV ..... \$134.44  
(w) Almo Fund V ..... \$134.44  
(w) Almo Fund VI ..... \$134.44  
(w) Almo Fund VII ..... \$134.44  
(w) Almo Fund VIII ..... \$134.44  
(w) Almo Fund IX ..... \$134.44  
(w) Almo Fund X ..... \$134.44  
(w) Almo Fund XI ..... \$134.44  
(w) Almo Fund XII ..... \$134.44  
(w) Almo Fund XIII ..... \$134.44  
(w) Almo Fund XIV ..... \$134.44  
(w) Almo Fund XV ..... \$134.44  
(w) Almo Fund XVI ..... \$134.44  
(w) Almo Fund XVII ..... \$134.44  
(w) Almo Fund XVIII ..... \$134.44  
(w) Almo Fund XIX ..... \$134.44  
(w) Almo Fund XX ..... \$134.44  
(w) Almo Fund XXI ..... \$134.44  
(w) Almo Fund XXII ..... \$134.44  
(w) Almo Fund XXIII ..... \$134.44  
(w) Almo Fund XXIV ..... \$134.44  
(w) Almo Fund XXV ..... \$134.44  
(w) Almo Fund XXVI ..... \$134.44  
(w) Almo Fund XXVII ..... \$134.44  
(w) Almo Fund XXVIII ..... \$134.44  
(w) Almo Fund XXIX ..... \$134.44  
(w) Almo Fund XXX ..... \$134.44  
(w) Almo Fund XXXI ..... \$134.44  
(w) Almo Fund XXXII ..... \$134.44  
(w) Almo Fund XXXIII ..... \$134.44  
(w) Almo Fund XXXIV ..... \$134.44  
(w) Almo Fund XXXV ..... \$134.44  
(w) Almo Fund XXXVI ..... \$134.44  
(w) Almo Fund XXXVII ..... \$134.44  
(w) Almo Fund XXXVIII ..... \$134.44  
(w) Almo Fund XXXIX ..... \$134.44  
(w) Almo Fund XL ..... \$134.44  
(w) Almo Fund XLI ..... \$134.44  
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# SPORTS

## Phillies Clinch National East Pennant by Beating Cubs, 13-6

Compiled by Our Staff From Dispatches  
CHICAGO — Bo Diaz had five hits, including two home runs, to help the Philadelphia Phillies clinch the National League's Eastern Division title with a 13-6 romp over the Chicago Cubs here Wednesday.

### BASEBALL ROUNDUP

Philadelphia's 11th victory in its last 12 games mathematically insured second-place Pittsburgh and gave the Phils their fifth divisional title and their first since 1980, when they won the World Series.

The Phillies will probably meet the Los Angeles for the league championship.

On the Dodgers, whose magic number is one, had their Wednesday night game in San Diego suspended by rain in the 14th inning with the score tied 4-4.

Mike Schmidt hit his major-league-leading 40th home run of the season to ignite a three-run Philadelphia third inning. Schmidt later tripled and scored, and 40-year-old Joe Morgan collected 4 of the 19 hits off eight Cub pitchers.

On the Yankees, who had a 1-0 lead in the 14th inning, they were 1-0 in the 14th inning.

Owens, who had stepped in for Pat Corrales in July, told Schmidt not to worry about the managing and concentrate on playing to his potential. "We want 19-3 after that," said Schmidt, twice voted the league's most valuable player. "If we had gone 3-19, I could have hung up my spikes — they would have said I was the reason the team had failed and that I had caused the dissolution."

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## NBA Will Ban Drug Offenders

By Sam Goldhaber  
New York Times Service

NEW YORK — The National Basketball Association and its players' union have forged a wide-ranging, innovative program that will ban from the league any player found to be using or selling illegal drugs.

In the strongest stance taken by any professional sport, the program provides that a player caught using or selling drugs will be suspended for at least one year.

The message we are sending out today is clear: drugs and the NBA do not mix, said Larry O'Brien, 18th and last NBA commissioner, at a news conference here Wednesday.

Several hours after the program was announced, Michael Jordan, the Chicago Bulls' star guard, said he had never used drugs.

But the NBA does not intend to wait for a player to be caught using drugs before it takes action. "The NBA doesn't understand that drugs are a disease that the only way to cure it is by taking medicine," said O'Brien.

By George Vecsey  
New York Times Service

NEW YORK — A fortune is waiting for the songwriter who can catch the essence of the Garden State. With all the sports teams migrating westward, a New Jersey song is needed that could rival John McVie's "New York, New York" as a stadium anthem.

Some dreamers still want to "wake up in a city that never sleeps," as Sinatra croons over loudspeakers in New York City sports arenas, but that dream is not the dream of Leon Hess, who is apparently moving his football team across the river to New Jersey.

Even if the National Football League Jets have the clout to play the name New York, as the football Giants did, they shouldn't dare play New York songs in their pregame serenade or during the playing of television timeouts.

Even in a quarterback's nickname — Broadway Joe — have the Jets traded on the glamour of the city that gave them not only a skyline and a name but also a broad stadium night on a subway line. Now the owner is ready to move to a bigger stadium with a better facility than Shea Stadium.

On Monday, the owner of the Jets met with the mayor of New York City, Edward I. Koch, who said Wednesday that Hess had committed himself to the Meadowlands after this season.

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Bird Signs \$14.7-Million Pact

Larry Bird signed a seven-year contract worth \$14.7 million with the Boston Celtics late Wednesday. The 6-foot-9 forward was the National Basketball Association's rookie of the year in 1980 and has averaged 22.2 points and 10.8 rebounds per game in his career. Bird, 26, could become a free agent after the one remaining season on his original five-year, \$650,000-a-year pact. Philadelphia center Moses Malone has a 6-year, \$13.3-million contract that includes incentive clauses; Bird's contract is wholly guaranteed.

### Major League Standings

NATIONAL LEAGUE

Team	W	L	Pct.	GB
Philadelphia	87	71	.552	—
Pittsburgh	82	76	.517	5 1/2
St. Louis	76	82	.478	12
Chicago	71	87	.447	17 1/2
New York	65	93	.412	23 1/2

AMERICAN LEAGUE

Team	W	L	Pct.	GB
Baltimore	91	61	.597	—
New York	88	64	.575	3 1/2
Toronto	87	65	.570	4 1/2
Los Angeles	86	66	.565	5 1/2
Seattle	85	67	.559	6 1/2

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(Continued from Page 14)

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## New Strain: 'New Jersey, New Jersey'

By George Vecsey  
New York Times Service

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## Wednesday Line Scores

NATIONAL LEAGUE

Philadelphia	123	82	9-13	2
Chicago	236	206	4-0	1
St. Louis	111	113	1-0	0
Pittsburgh	111	113	1-0	0
San Francisco	111	113	1-0	0

## European Soccer Results

United Press International

London	Following are results of first-round, second-leg matches in Europe's three major soccer tournaments. Home teams are listed first (respective away teams are in parentheses).
CHAMPIONS CUP	Athletic Bilbao, Spain, 4; Lazio, Rome, Italy, 2 (4-2). St. Pauli, Hamburg, 4; Fiorentina, Florence, Italy, 2 (4-2).
UEFA CUP	St. Pauli, Hamburg, 4; Fiorentina, Florence, Italy, 2 (4-2).

## Transition

National Basketball Association

Golden State	Golden State	Golden State	Golden State
Golden State	Golden State	Golden State	Golden State
Golden State	Golden State	Golden State	Golden State

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## OBSERVER

## No News Like No News

By Russell Baker

LONDON — During a single day in the 1680s, William Penn, famous for giving us Pennsylvania, attended two public executions in London: a beheading at the Tower and a nasty business with rope and knives at Tyburn two miles away. Macaulay, writing "The History of England," concluded from this and Penn's other eyewitness accounts of capital punishments that pacific Quakerism could not blunt his taste for the theater of scaffold and headsman's ax.

Stomaching a double feature would surely take an aficionado, but — face it — all of us like a bit of diversion now and then. England today provides very little. It is, as somebody once said of Richmond, Virginia, "a hotbed of social rest." This presents agonizing difficulties for Britain's mass-circulation popular press, which, assuming that the old English tastes of William Penn still flow in the blood of modern England, devotes itself to the mission of setting slops before swine.

If you think that's easy, consider the watery gruel they've had to work with the past two months and how ingeniously they've managed it. Here for example is a prominently displayed front-page story of mid-September: "Hundreds of ferocious minks went on a killing spree yesterday. The animals rampaged. The horror started when..."

You know what happened? Somebody cut the fence at a mink ranch and a lot of them got loose in the countryside and chewed up some barnyard fowl. Well, it was another slow news day.

Two of the most widely played stories of the season were about "the Brighton beasts" and "the moles." The "beasts," in fact, were three adult males of obviously low character who had sexually assaulted a 4-year-old boy.

After days and days in which the police hunted the "beasts" in vain, the papers took to dark hints that creatures of their ilk were rife throughout British society, not even excluding certain members of Parliament.

The "moles," on the other hand, were caught. A handful of young people belonging to an obscure Trotskyist sect, they had got them-

selves employed by British Leyland with an eye to infiltrating the union and disrupting production. This was played as though Yuri Andropov's brother-in-law had been discovered in charge of the decoding room of the British Secret Service.

Just when it seemed that investigative reporting teams might have to be dispatched in search of killer rabbits, there came the story of the Dartington headmaster, who had starved his pupils and engaged in sexual and other undisciplined teen-age licenses.

And then — what joy! Manna from journalism heaven. Someone with a long memory recalled seeing nude photographs of this upright headmaster and his wife in a soft-core porn magazine of the 1970s. Could the popular press possibly resist publishing these pictures? Could William Penn resist a beheading?

It was The Sun that showed us headmaster and wife tenderly embracing in the buff, and the implication was obvious: Shame! Shame! The Sun is the same paper that every morning publishes a photograph of a young woman naked to the hips, with such captions as "She's very tasty served with the top off."

The story of the headmaster's complicity was so zesty that the popular press spent only three days reporting Princess Diana's consultation with her doctor and speculating whether it meant another pregnancy.

And so the summer passed into autumn for those millions who, like William Penn, need the diversion of great events. Admittedly these events lacked the old-fashioned authenticity Penn would have savored at the execution of the duke of Monmouth when the headsmen swung his ax and inflicted only a slight wound. "The duke struggled, rose from the blocks and looked reproachfully at the executioner," Macaulay reports. The ax was applied several times more without definitive results, and the job finally had to be finished with a knife. Nowadays William Penn would probably have to go to Philadelphia for action like that.

New York Times Service

## Modern Japanese Life in 300 Episodes

By Christine Chapman

TOKYO — Imagine a hardy people full of determination to overcome poverty and the cruel acts of nature. Picture a people who have the patience to accept disasters and the guts to defy them and win becoming successful and even, perhaps, happy. This is a popular image of themselves that the Japanese cherish. At the moment it is being reinforced and recreated daily in a television series drama called "Oshin."

Produced by NHK, Nippon Hoso Kyokai, the Japanese public broadcasting company, the show explores the feelings and attitudes of the Japanese through the first eight decades of the 20th century from a domestic point of view. Its unlikely hero is neither a tender samurai warrior nor a good-hearted yakuza crook, but a woman named Oshin who was born in 1900 and lived through three historical eras, the Meiji, Taisho, and Showa periods.

Though the character is fictitious, the name Oshin (pronounced o-sheen) means the real thing, the source of sincerity and strength. Oshin ages from a plucky 7-year-old to an 83-year-old dowager in just 300 15-minute episodes, which run daily except Sundays. Begun in April, the show will continue until next March.

"It's a message to the people," explained Yukiko Okamoto, the drama's 45-year-old producer. "Oshin" is the common people's history of modern Japan told through the memories of an old woman. We at NHK wanted to show the strength of the old morals and customs."

Like the American cowboy who jumps on his horse in pursuit of new frontiers, Oshin straps a baby to her back and runs off to chase the Japanese dream of winning riches in the big city. Currently in the plot the year is 1924, and Oshin, also 24, is chafing under the restrictions of her husband's family home. Her mother-in-law is a haridan; her husband is well-meaning but ineffectual; and the household duties are endless. As the episodes unfold, Oshin will run off to Tokyo with her three-year-old son but without her husband. There she begins again the hard work that will eventually make her fortune as an owner of a supermarket chain. She is reunited with her husband and, finally, reconciled with her mother-in-law; she loses a child but survives the war although her husband commits suicide as it ends. She has three children, adopts two more, and at age 83, as the narrator of the story, tells a grandson: "Somewhere along the way, I feel I've lost something."

The producer Yukiko Okamoto calls the something lost *kokoro* or heart. "With her sons' help she has become rich and they too work for riches," he said. "But



Oshin (Yuko Tanaka, left) in scene with her husband, mother-in-law.

they become poor in mind. It is a poverty of the heart."

"Now in modern Japan we have the sense of being lost. We may be successful, but we feel we have lost something, the old morals and customs. Like living with many generations in a big family. Like serving in a merchant's shop and bringing up children in a stable, confident way. Modern Japanese parents are afraid of their children."

Perhaps the most popular sequences of "Oshin" were those during the first six weeks when the young Oshin, played by 10-year-old Ayako Kobayashi, left her mother's house to work for a timber trader and later for a rice merchant.

Kobayashi was so winning and the message so useful that parents and teachers asked NHK to repeat the first part of the drama during the summer vacation. They wanted the children to understand the hardships and the virtues of older generations. NHK obliged and on weekends during July and August repeated the episodes starring the loyal, hard-working child.

"It's a tear-jerker," said 29-year-old Hiroshi Ishikawa, a staff member at the Foreign Press Center. His father, who comes from the same north country as Oshin, loves the series. "It's a poor rural area of strong-willed people," Ishikawa explained. "Once they are determined to do something, they will do it in spite of the circumstances."

Besides the pull of collective emotion, the drama is carefully crafted to suggest historical accuracy. The scenario writer Sugako Hashida has said that although the series is fiction she has drawn on the experiences of her mother's generation and on letters from women throughout Japan.

The sensitive acting, besides that of child performer Kobayashi, revolves around Yuko Tanaka who depicts Oshin from ages 16 to 45. Nobuko Otowa who portrays the elderly Oshin, and Kazuko Takamori, who is so vivid as the harping mother-in-law that the people of Saga Prefecture where she supposedly lived have protested to NHK. They have asked the public television company to change her unpleasant character so the nation will not get the wrong impression of Saga women.

Written and produced by two women, who say it's too late to alter her character, the series is ultimately not realistic about women today. There are few successful businesswomen in Japan like the 83-year-old Oshin.

"Oshin's success is unique," admitted Okamoto. "It's rare for a woman to have such a chance. What we thought was important was not her success, but showing the effort to succeed."

Okamoto's own efforts for 23 years with NHK have earned her a position as the only woman producer at the national broadcasting company. As a new producer, she was assigned to work on the Morning Television Novels series and so Oshin was born, and Japan given a new legend.

Like Oshin, merchants are making money on her efforts. They sell Oshin dolls and Oshin sake. Entrepreneurs sell Oshin songs. In Tokyo where the older Oshin made her riches a fire-safety campaign uses the Oshin as its poster-girl model.

In Sakata City in Yamagata Prefecture near where the young heroine lived, the townspeople have erected a life-sized statue of the little girl.

Yes, Oshin, there is a Japan!

## PEOPLE

## The Pink Panther Suit

The filmmaker Blake Edwards has sued MGM-UA for \$180 million, claiming studio executives conspired to destroy commercial prospects of his recent movie, "The Curse of the Pink Panther." The suit, filed in Los Angeles, contends executives of MGM-UA, which distributed the picture, were angry at Edwards because he supported the ousted MGM-UA chief executive David Begelman at an arbitration hearing in July. The studio is accused of booking the film into inappropriate theaters and running no advertising during the last two or three weeks of its run as a main feature. Edwards, 61, seeks \$70 million in compensatory damages and \$110 million in punitive damages.

The author Elly Kelley is drawing comparisons between the Pentagon Papers case and a \$2-million lawsuit filed against her by a company representing the singer Frank Sinatra. Camden Enterprises, a Nevada company that is the proprietor of Sinatra's name, is seeking to prevent Kelley from putting out a book on the life of the 67-year-old entertainer. The suit, filed last week in Santa Monica, California, contends Kelley falsely claimed that her project had Sinatra's approval. "The whole idea is prior restraint," Kelley said in Washington. The last time someone tried this was when former President Richard Nixon tried to get an injunction versus the New York Times and the Washington Post for the Pentagon Papers, she asserted. The suit contends publicity surrounding Kelley's unauthorized biography of a planned authorized biography. It also claims that Kelley intends "to focus upon sensational, negative, controversial" events in Sinatra's life.

The French conductor and composer Pierre Boulez returned to Rome for the first time in 15 years to direct a Thursday night concert of works by the French composer Edgar Varese. Boulez, 58, a former music director of the New York Philharmonic, conducts widely, and serves as director of the Paris-based IRCAM, a school for experimental music.

The Liverpool City Council ended 14 years of quibbling about the

Beatles' personal habits and took the first step toward giving the Fab Four the "freedom of the city." Paul McCartney, George Harrison and Ringo Starr will be invited to the northwest port city to receive scrolls, providing the full council gives its approval next month to the decision of the finance and policy committee. John Lennon — who was murdered in New York in 1980, nine years after the group broke up — will be given the award posthumously. The ruling Laborites on the council, who contended the pop group had done nothing for Liverpool, reached an official tribute in the presence of the Beatles' manager, McCartney's brother, Mike, who still lives there, said Wednesday he thinks the surviving Beatles may not accept the award because the city took so long to grant the honor. The award dates back to ancient times, when it conferred immunity from certain tolls and fees.

President Ronald Reagan told the victorious Australian America's Cup yachting team. "If we had to get beat, we'd be glad it was the Aussies." But he warned Alan Bond and members of the Australia II crew, "Don't bolt that cup down too tightly. The Americans are coming back stronger than ever next time around." Reagan congratulated the Australian and U.S. yacht racing teams to congratulate the victors and offer a word of encouragement to the American team whose defeat broke a 132-year winning streak, generally regarded as the longest in sports history.

Rita Hayworth, a victim of Alzheimer's disease, which affects the memory and causes premature senility, may have forgotten much — but she has not been forgotten. Joan Bennett, Joan Fontaine, Robert Merrill, Bert Parks, Hugh Downs and Joe Franklin are among the celebrities expected to attend Saturday when Hayworth is awarded a Media Arts Award from suburban Westchester County Community College in Valhalla, New York. The award will be accepted by the 64-year-old actress's daughter, Yasmine Aly Khan, who was given control of her mother's \$250,000 estate in 1981.

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